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The Naval Plant Representative Office Organization Transition into the Defense Contract Managagement Command: Impacts on Customers

by

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ABSTRACT

Defense Management Review Decision 916 resulted in the consolidation of all Service Plant Representative Offices into the newly created Defense Contract Management Command. This study focused on the impacts of this consolidation on Contract Administration support of Naval Air Systems Command customers. The results of surveys with Procuring Contracting Officers and Program Managers of the Naval Air Systems Command, Administrative Contracting Officers from four Defense Plant Representative Offices, and industry personnel from four defense contractor facilities are reported. It was concluded that the new Defense Plant Representative Offices are supporting the basic needs of Navy and industrial customers, but not as well as the previous Naval Plant Representative Offices had. Twelve recommendations are presented to correct the deficiencies identified.

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I. INTRODUCTION

A. BACKGROUND

As part of recent efforts to improve overall management within the Department of Defense, most Contract Administration functions (other than Navy Supervisors of Shipbuilding) have been consolidated within a new organization named the Defense Contract Management Command (DCMC). Individual Services formerly controlled their own Plant Representative Offices (PROs) for Contract Administration. These have now been consolidated into the DCMC and are now referred to as Defense Plant Representative Offices (DPROs). Procuring Contracting Officer (PCO) functions have remained with each individual Service Hardware Systems Command. The DPROs still perform Administrative Contracting Officer (ACO) functions, but operate under new management guidance. The Naval Air Systems Command (NAVAIR) PCO/DCMC ACO organizations exist to provide contractual support to military customers. In his first policy guidance memorandum, dated 11 April 1990, the new head of DCMC (Major General Henry) stated, "As we create a new order of doing Contract Management, we should keep the customers (Program Managers (PMs) and PCOs) in sharp focus. Simply stated, <u>they are the reason for our being!</u>" (Ref. 1)

This thesis is oriented toward customer support. PCO, ACO and industry perspectives on changes in customer support will be analyzed.

Since the transition of Naval Plant Representative Offices (NAVPROs) into DCMC, the previous, long-standing relationship between NAVAIR and the PROs has changed significantly. The changes include what appear to be major differences in organizational priorities. Specifically, the Navy and the DPROs seem to disagree on how DPRO pricing actions and definitizations are prioritized. The Navy generally required that the NAVPROs definitize the largest dollar orders first. There also appeared to be a strong PCO influence on ACO work priorities. DPROs, however, definitize orders on more of a first-in, first-out basis regardless of dollar value or other considerations. DPROs are driven by Defense Logistics Agency (DLA) timeliness goals or "bogies" which require definitization of any order within 180 days of assignment.

Another apparent area of Navy concern, regarded changes in roles and responsibilities between NAVAIR and the PROs. The problem appeared to primarily involve issuance of Provisioned Item (PIO) and Basic Ordering Agreement (BOA) orders. The NAVPROs were previously responsible for issuing these orders, however, DCMC had not accepted that responsibility until recently. This necessitated the establishment of Navy Technical Representative Detachments

(NTRDs) at the DPRO sites for the purpose of issuing PIO and BOA orders. This problem has recently been resolved through a joint Navy/DLA memorandum of agreement. Under this agreement, the DPROs will now issue the orders themselves. The DPROs were also allowed to absorb the NTRD personnel. In the case of DPRO McDonnell Douglas, this meant five additional 1102 Series personnel. (Ref. 2)

This study provides interested Acquisition Managers with a thorough background on the evolution of the DCMC organization. The thesis examines the views of Contract Administration process owners regarding their perceptions of customer support before and after the NAVPRO/DPRO transition. Process owner recommendations for continuous improvement are also provided. These perceptions and recommendations may serve senior decision makers as a basis for assessment of the intended results of consolidation against actual impacts.

B. OBJECTIVE OF THE RESEARCH

The objective of this research effort was to characterize recent changes in relationships between Naval Air Systems Command (NAVAIR) Procuring Contracting Officer (PCO) functions and the Defense Contract Management Command (DCMC) Administrative Contracting Officer (ACO) functions as they impact support of Navy programs. Specifically, the research focuses on organizational relationship changes resulting from implementation of Defense Management Report Decision (DMRD) 916. DMRD 916 has integrated former Naval Plant

Representative Offices (NAVPROs) into a newly created organization, the Defense Contract Management Command (DCMC). Based on DMRD implementation correspondence, there were obvious differences in orientation between the former Defense Contract Administration Services (DCAS) and military Service Plant Representative Offices. For instance, Program Office orientation is perceived to have been stronger within the NAVPROs. As a result their customers expected certain services and rapid responses. (Ref. 3)

As pointed out in DMRD 916, "The Services do not believe that DLA is responsive to their requirements." The new Defense Contract Management Command which has taken over all Service plant representative offices is a command within DLA. DCMC is consolidating contract administration and making massive reductions in Contract Administration personnel. Dramatic changes in PCO/ACO personnel relationships seem inevitable in this environment. DCMC management seems keenly aware of the challenges they face in satisfying their customers. The new Commander of DCMC, Major General Charles Henry is optimistic. He sees:

> ...major benefits from consolidating - to industry as well as Government. Industry will be dealing with one organization that offers uniform policies and procedures. And we are now structured better to support program managers.

He goes on to say:

> A principal difference in structure is that our districts now have a program and technical support office to ensure responsive support to program managers." (Ref 4., p. 20)

C. THE RESEARCH QUESTION

In an effort to accomplish the objective of this research, the following question was studied:

How well is the Navy/DCMC organizational relationship supporting the needs of Navy and Industrial customers?

Subsidiary questions which support this research effort are as follows:

1. What are the key differences between DCMC Contract Administration methods and those formerly used by the Navy?

2. What impacts are DCMC's methods of Contract Administration having on their Navy customers and Industry?

3. What are the key differences between DCMC and Navy organizational priorities and perceived roles concerning Contract Administration?

4. What can be done to bring DCMC and Navy Contract Administration organizational priorities into accord?

5. What can be done to improve the relationship between the Navy and DCMC Contract Administration organizations?

D. SCOPE, LIMITATIONS AND ASSUMPTIONS

The scope of this thesis is limited to analysis of the state of NAVAIR/DPRO relations and an assessment of the impact of the DCMC transition on customer support. This thesis concentrates only on the relationships between NAVAIR, NAVAIR Prime Contractors and the DPROs which were formerly (NAVPROs).

This study focuses specifically on those NAVPROs which were under the cognizance of the Naval Air Systems Command (NAVAIR), Washington, D.C., and have now transitioned into DCMC as Defense Plant Representative Offices (DPROs). These include plant offices with McDonnell-Douglas Corp., St. Louis,

MO; Grumman Aerospace Corp., Bethpage, N.Y.; General Electric Company (Aircraft Engine Business Group), Lynn, MA; and Sikorsky Aircraft Division (United Technologies), Stratford, CT. A NAVPRO with Lockheed, Burbank was closed and that work was consolidated with a former Air Force Plant Representative Office (AFPRO) in Marietta, GA. Primary responsibility for Contract Administration has been and continues to reside with the Administrative Contracting Officers (ACOs) at these locations. This responsibility is delegated to them by the Procuring Contracting Officers (PCOs) and is in accordance with the Federal Acquisition Regulation (FAR), Part 42.

Other Service PROs, former Defense Contract Administration Services Plant Representative Offices (DCASPROs) and other Systems Commands are excluded from study. The thesis examines differences in NAVPRO and DPRO policies, and changes in roles and responsibilities. The thesis makes recommendations on how the NAVAIR/DPRO/industry relationship might be improved as part of improving customer support.

Another limitation in scope is that this thesis focuses primarily on the Contract Operations functions of the PROs, although in most of the offices being examined a large part of the work relates to on-site program management as well as quality assurance. Despite this limitation, PM reactions to the Contract Administration Services (CAS) consolidation are examined as well.

E. RESEARCH METHODOLOGY

The methodology used for this thesis included a detailed examination of pertinent directives, Contract Administration operating guidance, DCMC policy and implementation guidance, and feedback from ACOs, PCOs, PMs and industry representatives via written surveys. The PCO, ACO and industry survey questions were designed to elicit maximum discussion of issues addressed by the primary and subsidiary research questions. The PM survey was formatted using a six point Likert Scale, requesting PMs to rate their agreement with various statements concerning the PRO transition. An initial round of ACO and PCO surveys were completed in May of 1991, during the DCMC transition process. A second round of surveys, which included PCOs, ACOs, PMs and industry was conducted during the December 1991- February 1992 time-frame. Telephone interviews were also conducted with various individuals. A telephone conference was also conducted with a group of ACOs at a large DPRO.

Many of the individuals responding to early questions for this paper indicated it was still too early to pass judgment on how the transition was working out. Based on early comments received, it appeared that the perceived success of the DPRO consolidation would depend greatly on how the PIO/BOA ordering issue was handled. It would also depend on whether DCMC would cooperate in meeting the Navy's needs in establishing priorities for order definitizations.

F. ORGANIZATION OF STUDY

Input was solicited from the field both in May 1991 and December 1991 - February 1992. Many of the changes which were still in process in May, had evolved to a greater extent by December. Where appropriate, early reactions to the transition are discussed, followed by later reactions to the same areas of concern. Chapter II provides a detailed background on the evolution of DCMC, and how the transition from NAVPROs to DPROs has occurred.

Chapter III provides the results of surveys sent to DPRO ACOs, NAVAIR PCOs, industry and NAVAIR PMs. Reasons for the various questions are discussed, along with findings and sample responses.

Chapter IV Compares the Contract Administration methods, structure, roles and responsibilities, operating guidance, Management Information Systems (MIS)/Control Systems, reporting requirements, and organizational priorities of the DPRO organization to those of the previous NAVPRO organization. The differences are analyzed, and impacts of the changes are assessed.

Chapter V provides answers to the research questions and recommendations for further research.

II. BACKGROUND: HOW THE TRANSITION HAS OCCURRED

A. INTRODUCTION

The Department of Defense has recently undertaken efforts to improve its procurement process in response to a 1989 directive from the President to the Secretary of Defense to "develop a plan to accomplish full implementation of the recommendations of the Packard Commission and to realize substantial improvements...in defense management overall." (Ref. 5, p. 1) This directive, along with rapidly declining budgets has compelled DoD to seek ways of enhancing procurement management, while also making substantial cost reductions. Changes are being implemented in response to Defense Management Report Decisions (DMRDs) as they are made by the department. One of the primary ways the DMRDs seek to streamline operations in areas such as Contract Administration and Inventory Management is through consolidation of similar activities.

On 6 February 1990, as part of DMRD 916, the Deputy Secretary of Defense directed the consolidation of nearly all Contract Administration within the framework existing in the Defense Logistics Agency (DLA). DMRD 916 was implemented with the expectation of greater efficiencies and achievement of cost savings through economies of scale (Ref. 6, p.35). This new organization has been named the Defense Contract Management Command (DCMC). It is headed by a two-star flag officer who reports directly to the DLA Director.

The Deputy Secretary of Defense directed that:

> The consolidated organization should promote uniform interpretation of acquisition policy, provide a single face to industry, eliminate unnecessary overhead resulting from redundant functions and create a more effective and efficient CAS organization. (Ref. 7, p. 1)

Prior to DMRD 916, Contract Administration was performed both by the DCAS organization, (a sub-agency) of the Defense Logistics Agency, and, in some cases, by the individual Services. In cases where the amount and complexity of contracts with one particular contractor required a dedicated team of Contract Administrators, a Plant Representative Office (PRO) was established. When a PRO exists, it has total responsibility for administration of all DoD contracts performed at that location. Before examining the DCMC organization in greater detail, some history of the evolution of Contract Administration is appropriate.

B. THE BIRTH AND EVOLUTION OF DEFENSE CONTRACT ADMINISTRATION

The Office of the Secretary of Defense (OSD) was formed in 1947, followed by the Department of Defense (DOD) in 1949. The formation of DOD may be attributed, at least partially, to public and Administration discontentment with Defense procurement practices. In the 1940s, each military Service received annual appropriations directly from Congress. There was no central Department responsible for integrating budget requests or strategies for meeting military threats. Nor was there any long range budgeting for hardware procurement. The

budgets of individual Services and their respective hardware budgets were also developed independently of each other. Lacking coordination between the Services, the Administration found Service budgets and hardware programs impinging on one another, forcing untimely delays and cancellations of some programs. The importance of centralizing control of the Services was also emphasized by the fact that, for the first time, a major U.S. Defense industry was forming. The Government response to all of these factors was to:

> ...create a centralized defense authority, limit the Services' power, and make both the Services and the Joint Chiefs of Staff (JCS) more responsive to an overall DOD perspective. (Ref. 8, p. 2)

To accomplish these objectives:

> ...the National Security Act of 1947 created the National Security Council and the Office of the Secretary of Defense...; the National Security Reorganization Act of 1949 made DOD an Executive Department and down graded the Military Departments; Reorganization Plan No. 6 (1953) expanded OSD's staff and authority; and, the Reorganization Act of 1958 gave the Secretary of Defense power to reorganize DOD. (Ref. 8, p.2)

Procurement was governed under the regulations of The Armed Services Procurement Act of 1947. Within these parameters, DOD became responsible for ensuring overall efficiency in DOD procurement. As the number of complex weapon systems being procured increased, so did Government concern regarding oversight of Defense Contractors.

Concerns regarding Government procurement continued to mount in the 1950s. These included the perceived need to refine and reduce costs in the procurement of items common to

all of the Military Services. This included procurement in areas such as electronics, fuels and construction. It was felt that buying to specifications of minimum need could be better accomplished through a central agency. Additionally, costs could be reduced by taking advantage of large volume buys. The Defense Supply Agency (DSA) was created on October 1, 1961, to perform this type of procurement, as well as storage of supply stocks. The agency commenced actual operations in January of 1962. (Ref. 9., p.9) The birth of DSA came early in the tenure of a Defense Secretary with strong opinions toward Defense procurement.

Defense Secretary Robert McNamara, who served 1961 through 1968, held a management philosophy that decisions should be made at the lowest levels possible. He felt OSD should only be involved in making top level decisions between alternatives presented by the Services. Two particularly significant effects of the McNamara era were that: "quantitative measures of program performance became increasingly important." and, "to enhance DOD's ability to monitor the contractors and Services, McNamara increased data reporting requirements" (Ref. 8, p. 3)

Secretary McNamara instituted many DOD improvement initiatives. The initiative having the greatest effect on Contract Administration was called Project 60. Project 60, initiated in 1964, studied what were viewed by DOD as inefficiencies and duplicative efforts in Government Contract

Administration and contract auditing. The pilot study was conducted in a region of five mid-Atlantic states. All DOD Contract Administration within this area was to be consolidated.

Initially, under Project 60, DOD announced that to preclude duplicative Contract Administration,

> ...the agency having the predominant number of contracts with a specific contractor would have cognizance in that its determinations regarding administration and audit would govern the other defense agencies. (Ref. 10., p. 15)

Eventually, as a result of the Project 60 findings, the Defense Contract Administration Services (DCAS) organization was formed as a branch of DSA, assuming control of the majority of existing Contract Administration work. Before DSA/DCAS began performing Contract Administration, all such activities were performed by the separate military Services, each administering the contracts it awarded. Multiple Services were simultaneously conducting unique versions of Contract Administration with the same individual contractors. Contractors were forced to equip themselves to comply with each Services' unique requirements, which frequently conflicted with one another. The Government considered this practice costly, as well as unnecessarily duplicative. By establishing DSA, and eventually the Defense Contract Administration Services (DCAS) structure, the Government sought to display "one face to industry", whereby each contractor would have only one DCAS office to interact with.

DCAS was also predicted to be more economical by allowing larger volumes of actions to be administered per employee (Ref. 11, p. 69). A major element of Secretary McNamara's charter was to achieve large cost savings within DOD. By 1965 DOD was able to claim annual DSA savings amounting to $58 million in operating expenses and $506 million in inventory costs.

DSA/DCAS became the single largest manager of both Defense Department Supply stocks and Contract Administration. Originally, DSA Headquarters "directed and coordinated the activities of eight commodity-type and two service-type single management centers." (Ref. 9, p, 9) Since then, the organization has consolidated many activities, while divesting some and gaining some others.

DLA, headquartered on Cameron Station, in Alexandria, Virginia, became the largest Government Contract Administration activity by any measure. As measured by funding and personnel allocations, Contract Administration became the largest part of DLA. The Contract Administration Services (CAS) segment of DLA was responsible for providing CAS to the Services, the National Aeronautics and Space Administration (NASA), other agencies of the Federal Government, state organizations, and to foreign governments under certain circumstances. (Ref. 9, p. 10)

The Director of DLA was established as a three star military position, rotated between the Services. The

Director reported directly to the Assistant Secretary of Defense (Acquisition and Logistics). DLA has two Deputy Directors, one for Supply Operations, and the other for Acquisition Management. Within the Deputy Directorate for Acquisition are the Quality Assurance Directorate and the Contract Management Directorate. These are the two major directorates involved in Contract Administration.

Below the headquarters level, DLA was broken down further, into nine DCAS Regions (DCASRs). Each DCASR contained functional Directorates in: Contract Administration; Quality Assurance; Production; Financial Management; and Plant Representative Offices. Initially, Plant Representative Offices, located within contractor plants, were not under DCAS cognizance, but many were later added to the organization. (Ref. 10, p. 15) Each DCASR was subdivided into DCAS Management Areas (DCASMAs). Figure 1 diagrams the DLA/DCAS organizational structure.

Each DCASR was responsible to DLA Headquarters for management of all assigned CAS within a geographic region. As illustrated in Figure 2, the geographic locations of DCASR headquarters offices included Los Angeles, Dallas, New York, Boston, St. Louis, Philadelphia, Cleveland and Chicago. Initially, there were eleven DCASRs, however, in 1976 two of them (San Francisco and Detroit) were consolidated into the Los Angeles and Cleveland DCASRs, respectively. (Ref. 10, p. 15)

Two of the DCASR Commanders were flag officers, while the other seven were O6 level officers of the various Services.

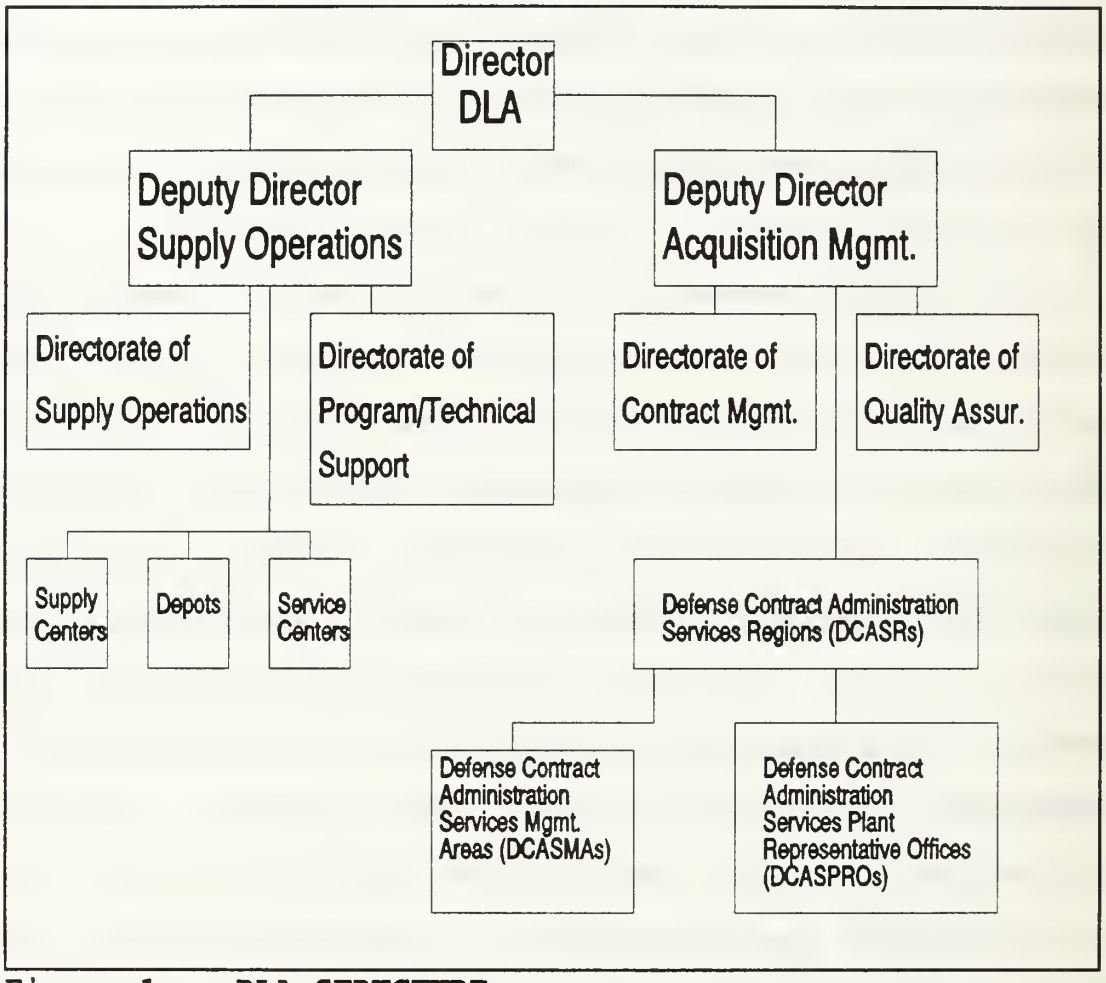

Figure 1 DLA STRUCTURE

The DCASR Commander for a particular region tended to be from the Service with the largest volume of active contracts in that particular region. Each geographic region (DCASR) was subdivided into smaller areas which were under the cognizance of Defense Contract Administration Services Management Area (DCASMA) offices. Each of these offices typically managed thousands of contracts with hundreds of separate contractors.

Most of the administration performed by the DCASMAs was done remotely, and by the use of itinerant personnel who would make occasional visits to contractor facilities. These offices, were commanded by O5 and O6 level officers of the various Services who reported directly to the Region (DCASR) Commander.

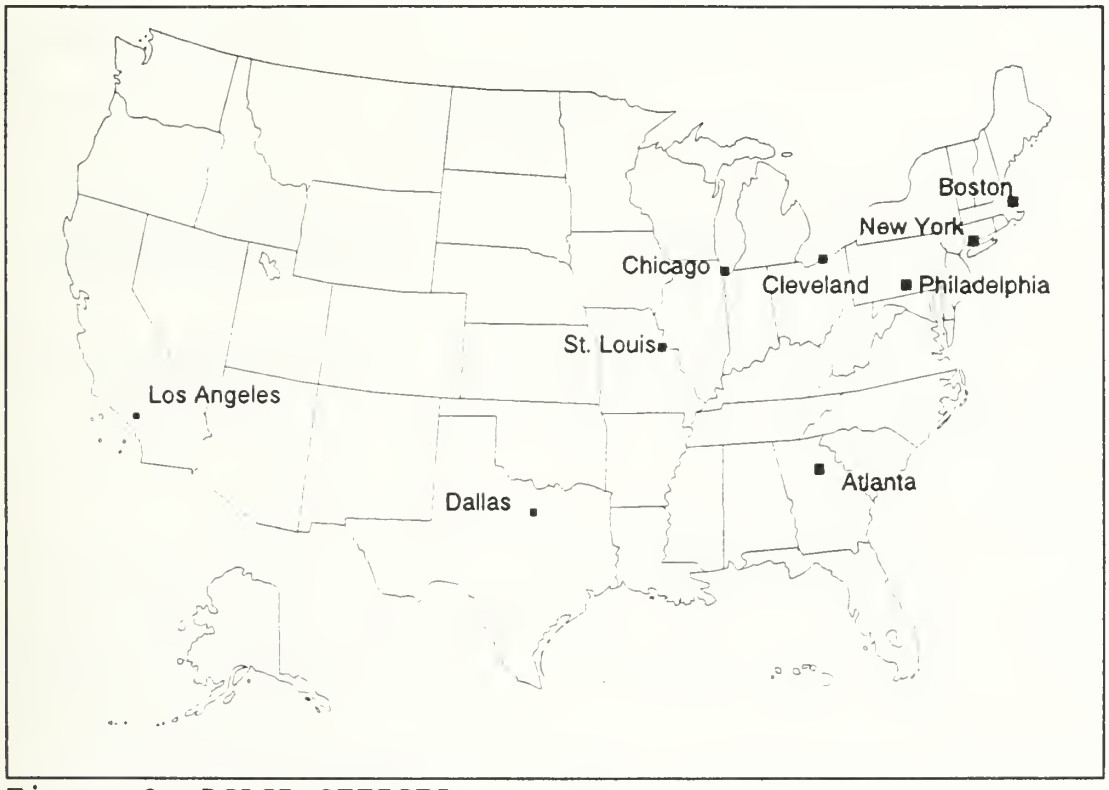

Figure 2 DCASR OFFICES

Each DCASR also had cognizance of several Defense Contract Administration Services Plant Representative Offices (DCASPROs). DCASPROs were co-located with large defense contractors when a very large volume of Defense business was done with that particular contractor, or, when the complexity of the weapon systems being produced by the contractor demanded a dedicated, multi-disciplinary team of Government

Contract Administration personnel. DCASPROs were responsible for administering any DOD or NASA contracts held by their respective contractors. (Ref. 12, p. 33) The largest single group of existing PROs were DCASPROs, numbering 47, however certain PROs were directly under the cognizance of either the Navy, Air Force or Army (Ref. 5, p. 3). In cases where a Service could establish to the Under Secretary of Defense for Research and Engineering that a contract for the manufacturing of a major weapon system required close and continuing liaison of that Service with the contractor, and that Contract Administration by any other agency was not in the best interest of the Government, the Services were allowed to establish their own PROs at those locations (Ref. 12, p. 34).

DCASPROs were usually established within the plants of contractors which were performing work for more than one particular Military Service. In most cases, where Service PROs existed, the work being performed was primarily for one Service. The Service PROs tended to be larger than the DCASPROs, and performed a wider range of functions than exclusively Contract Administration. Commanders of these PROs were typically more senior (O6 level) than those found in the DCASPROs. Whereas the DCASPRO Commanders were usually Staff Officers with backgrounds in Contracting, the Service PRO Commanders were primarily Line Officers with technical backgrounds. Many of the DCASPROs administered contracts

issued by a mixture of military Services. At some DCASPROs, however, the majority of contracts administered belonged to one particular Service. In those cases, the DCASPRO Commander position tended to be reserved exclusively for officers from the Service concerned.

The typical DCASPRO was structured as shown in Figure 3.

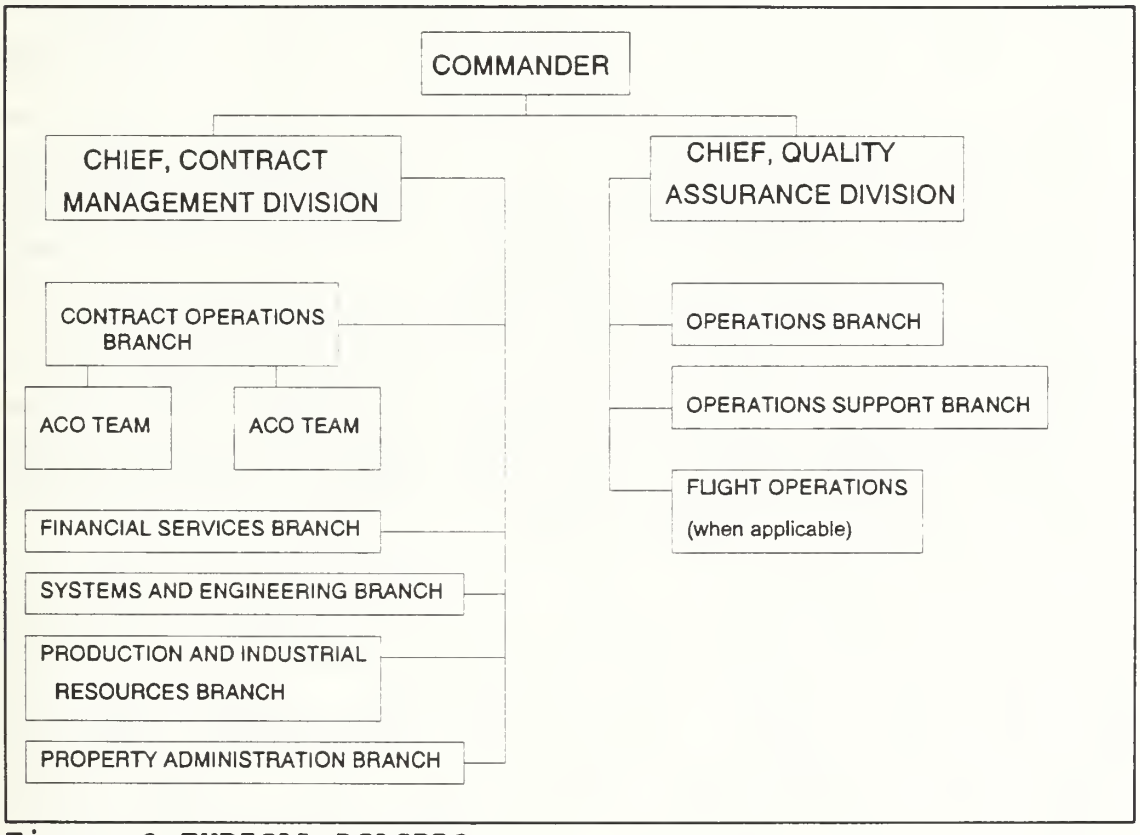

Figure 3 TYPICAL DCASPRO

There were two primary Divisions within the DCASPRO: the Contract Management Division, and the Quality Assurance Division. These Divisions were normally headed by senior civilian personnel (GM-14 level), who reported to the DCASPRO Commander. The Contract Management Division consisted of five Branches, each headed by a civilian: Contract Operations;

Financial Services; Production and Industrial Resources; Systems and Engineering. The Quality Assurance Division consisted of two primary Branches headed by civilians: Operations, and Operations Support. Where applicable, DCASPROs also had a Flight Operations Branch.

In examining the structure of the DCAS organization, and particularly, the DCASPROs, it is important to realize what Stanley Sherman points out in his text on Contract Management:

> In organizing Contract Administration, government actions have been guided by two factors: the effort to achieve administrative economy, and efficiency and unwillingness to rely on executive discretion. This has resulted in an organization primarily designed to have checks and oversight functions; the management of contracting work is secondary. This orientation exists because the buying process provides opportunities for poor judgment, error, and fraudulent behavior. These opportunities are always present because key decisions both before and after contract award cannot be made on the basis of purely objective criteria....<u>This is difficult for elected public bodies, such as Congress, to accept</u>. (Ref. 11, p. 69) (underline emphasis added)

Within DCASPROs, the ACO was responsible for ensuring that assigned contracts were administered in accordance with DCAS/Defense Federal Acquisition Regulation Supplement (DFARS)/FAR guidelines, through the use of the DCASPRO organizational structure. Functional responsibilities for Divisions and Branches within DCASPROs were described in Defense Logistics Agency Manual (DLAM) 5810.1 (Organization of DLA Field Activities Manual) (Ref. 13). Some DCASPROs briefly described the overall functions of each Division and Branch in individual organization manuals tailored to that particular office.

One DCASPRO manual contained the following descriptions for the Commander and the two primary Divisions:

> Office of the Commander: Plans, organizes, directs and controls the utilization of manpower and other resources to ensure effective and efficient accomplishment of the mission assigned to the DCASPRO by the Commander, DCASR.
>
> Contract Management Division: Acts as principal advisor and assistant to the Commander, DCASPRO in directing the accomplishment of the following responsibilities in the administration of contracts: Contract Administration, evaluation and negotiation; cost/price analysis; production surveillance and engineering; property management; and other functions as assigned.
>
> Quality Assurance Division: Acts as the principal advisor and assistant to the Commander, DCASPRO in the implementation of the quality and reliability assurance policy, programs and related techniques. Provides technical, engineering and operational assistance in the accomplishment of the assigned quality and reliability assurance functions. Provides operational and specialized technical engineering support as required in areas of all technical specialties and disciplines and in the field of measurement of test equipment and instrumentation programs to include preservation, packaging and packing. (Ref. 14, p. 7-12)

More detailed descriptions were provided for the various subordinate Branches. Within a DCASPRO, the ACOs were located within the Contract Operations Branch. They reported to a Branch Head, who in turn reported to the Contract Management Division Head. ACOs typically had a small team of Contract Administrators as assistants. To fulfill their administrative and contractual duties, the ACOs were required to request assistance from specialists within the various other functional Branches. These included Financial Services (for Cost/Price Analysis), Systems and Engineering (for Technical Analysis of Cost Proposals).

The ACO worked through the matrix of other branches, as well, to accomplish various other tasks.

C. THE DEFENSE CONTRACT ADMINISTRATION SERVICES ORGANIZATION BECOMES THE DEFENSE CONTRACT MANAGEMENT COMMAND

This chapter began by briefly explaining that DCMC was formed as the result of Defense Management Report Decision (DMRD) 916. This ultimate decision was the result of one of the many recommendations provided by the Secretary of Defense in his "Defense Management Report to the President" of July 1989. Rather than recommend the consolidation of Contract Administration within DLA, however, the Defense Management Report recommended the creation on an entirely new agency. This agency was to be called the Defense Contract Management Agency (DCMA). As stated in DMRD 916:

> That document **(referring to the Defense Management Report)** says that the plan to establish the DCMA must "seek to streamline existing CAS organizations, promote uniform procurement policy, and upgrade the quality of the CAS work force while eliminating overhead and reducing payroll costs. The plan should make appropriate provision for continued technical and other support to program offices. It should also preserve the existing regulatory division of responsibilities between those of administrative contracting officers, to be exercised within the DCMA and those of procuring contracting officers, which will continue to be exercised within the Military Departments." (Ref. 15, p.2) (underline emphasis added)

DMRD 916 was made based on recommended alternatives provided by the DCMA Task Force. The Task Force, which was chartered on 14 August 1989, consisted of eight military and four civilian DOD contracting personnel (primarily Flag and Senior Executive level). The Task Force was assisted by an

advisory group of very senior, retired military and civilian personnel. Working level assistance was provided by an additional eighty-three personnel assigned to an Organization/Mission Working Group and several subgroups. The DCMA Task Force Charter was signed by Mr. John Betti, Under Secretary of Defense (Acquisition). The following excerpts from the Charter outline responsibilities assigned to the Task Force:

> ...DCMA Task Force shall prepare a time-phased implementation plan for establishing the DCMA for review and approval no later than September 15, 1989, by the Under Secretary of Defense (Acquisition) (USD(A)) and the Deputy Secretary of Defense; and forwarding by October 1, 1989, to the Secretary of Defense for decision...
>
> Define the mission, organization and staffing structure relationships, responsibilities, and authorities of the DCMA.
>
> This should address CAS support of the Program Manager and Program Executive Officer elements of the Program Management chain...
>
> Of current in-plant resources, identify those resources to be applied to establishing and operating the DCMA, those to be retained by the Services to perform essential non-CAS functions in support of programs, and those that can be applied to meeting the Secretary's established reduction goal contained in the referenced report to the President...
>
> ...ensure continuance of essential uninterrupted technical and other support to program offices and other buying activities...
>
> ...Propose a headquarters site and FY91-95 operating budget projection for the DCMA...
>
> ...Decide on the course of action to be recommended to the USD (A) and Secretary of Defense as a result of Task Force deliberations...(Ref. 16, p. 2-4)

As instructed, the Task Force met and developed a detailed DCMA Implementation Plan. The Implementation Plan began by recapping the Task Force's understanding of the Charter, including a reference to the Defense Management Report which stated:

> ...all DoD Contract Administration Services (CAS), including those currently performed in the Defense Logistics Agency (DLA) and the Military Departments, will be consolidated under a newly created Defense Contract Management Agency (DCMA), which will report to the USD/A and be charged with more efficiently and effectively performing the CAS function. (Ref. 5, p. 1) (underline emphasis added)

The plan presented a recommended structure for the new organization, along with four alternative structures which were considered. As the plan points out, the recommended alternative structure "maximizes the use of existing management structures,..."(Ref. 5, p.9). The similarity to the previous DCAS structure is illustrated by Figure 4.

The most apparent changes are in the number of District Headquarters Offices (formerly Region Headquarters), and the creation of Engineering and Program Support elements within the structure. Instead of the nine Regions/DCASRs as DCAS had, DCMA would have five Districts/District Offices as shown in Figure 4. Additionally, the plan emphasized that:

> Enhanced responsiveness to the technical and programmatic needs of the Services would be provided by the establishment of an Engineering and Program Support element at the Headquarters, Districts, MAs **(Management Areas)** and PROs (Ref. 5, p. 9).

The Task Force recommended that DCMA be located in the Washington, D.C. area, primarily due to the proximity of USD/A and the Service acquisition headquarters.

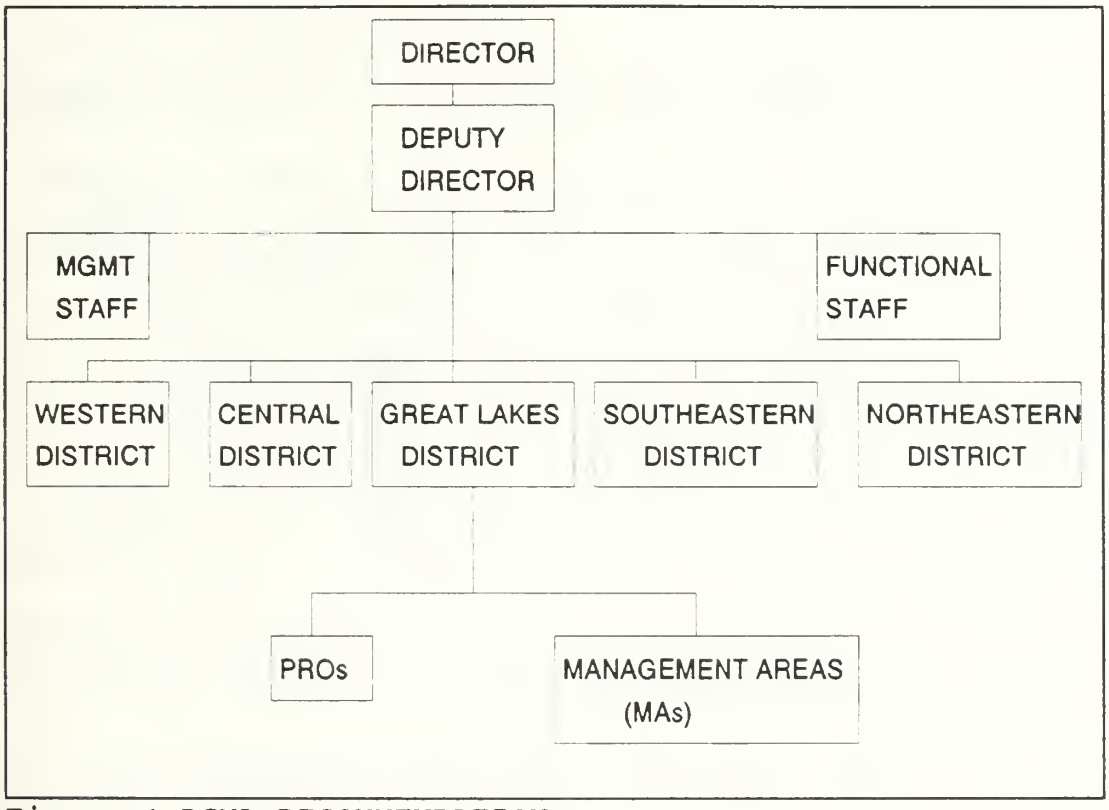

Figure 4 DCMA RECOMMENDATION

The plan provided that at the DCMA Headquarters level there would be three major staff elements: Contracts Management; Quality Assurance; Engineering and Program Support. At the District Office level, these same elements would be established as functional directorates. Within the Management Areas and PROs, these same major elements were to be called functional divisions.

The plan did not specify which cities the District Headquarters would be located in, however, it did provide a

map showing recommended District areas. A reproduction of this map is shown as Figure 5. It was recommended that International CAS come under the cognizance of the Northeastern District.

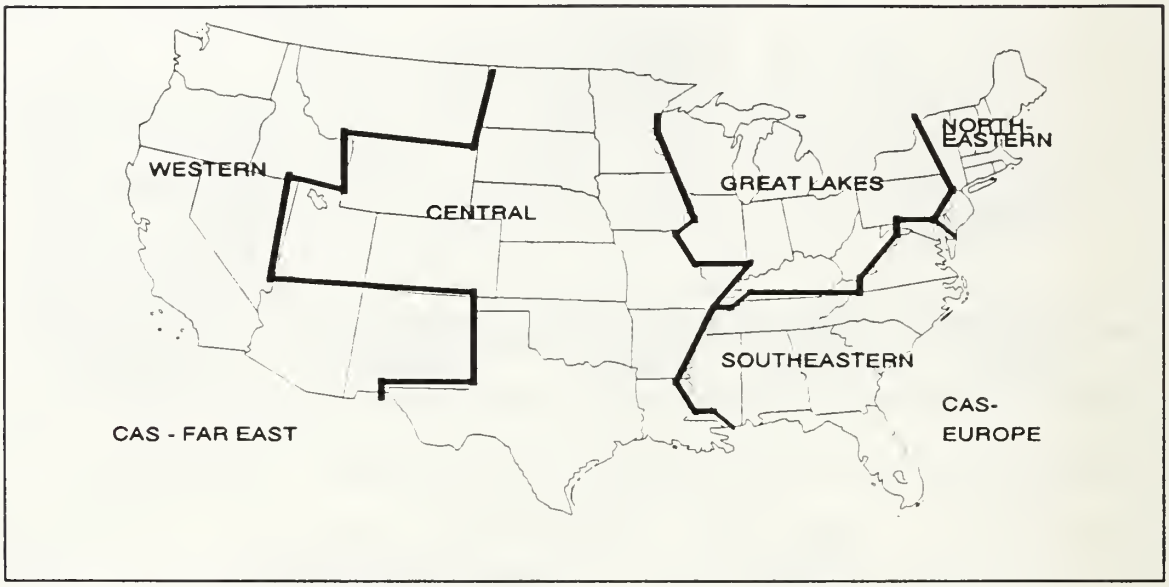

Figure 5 DCMA DISTRICTS

The plan provided detailed personnel and budget projections. Plans for payment and Management Information Systems were described. These included the use of the DLA Finance Center (DFC) and the DCAS Mechanization of Contract Administration Services (MOCAS) system. As stated in the plan:

> The DCMC plan is to transition all Contract Administration workload to a standard automated system that is basically MOCAS. (Ref. 5, p. 17)

The issue of providing adequate support to critical weapon systems was discussed.

The plan recommended establishment of a Program Integrator (PI) function for this purpose. The plan recommends, that:

> A Program Integrator, typically an engineer, will be appointed at each DCMA field office administering major or critical DoD programs to coordinate all technical aspects of DCMA support... The Program Integrator's principal responsibilities will be to work closely with program offices to identify priorities and emphasis areas; (Ref. 5, p. 19) (underline emphasis added)

The plan went on to recommend a transition timetable, beginning with Secretary of Defense approval of the plan in January 1990, and establishment of DCMA as a command in October 1990. All CAS personnel from the Services were to also be transferred into DCMA as of October 1990. A prototype District was to be operating, with the remaining Districts coming on line in fiscal year 91. The plan also included personnel impact projections. Initial savings were projected to be 827 personnel positions. (Ref. 17, p. 3)

In summary, the DCMA Implementation Plan provided a thorough, yet concise compilation of Task Force evaluations and recommendations. It provided several alternatives, including the favored recommendation for the structure of the new agency. Detailed budget exhibits for the recommended alternative were provided. A viable plan for the consolidation of CAS into a single, new agency was ready for implementation.

The DCMA Task Force recommendations were evaluated and discussed in Defense Management Report Decision (DRMD) 916.

The DRMD noted that the Task Force plan would provide savings of $422 million over five years. The DMRD noted that:

> An additional $29.5 million could be saved over the five-year period, if the Contract Administration consolidation took place in DLA instead of creating a new agency. This action would be less disruptive than the creation of the new agency, and would provide the consolidation called for by the DMR....
>
> The primary benefit of the creation of a new agency is one of perception. The Services do not believe that DLA is responsive to their requirements. However, there is no quantification of that perception...
>
> However, perceptions can be very important. The question is: is improved perception worth the cost and disruption that will result by the creation of a new agency, when the same organization can be achieved within the existing structure? (Ref. 15, p. 1-5)

The DRMD rationalized that, if, as the Task Force had assumed, the current DLA staff was large enough that it could be split into two agencies, it would therefore be too large if the decision was made to keep CAS within DLA. The DMRD staffers "estimated that a 15 percent savings in management overhead costs will occur if the DCMA function is retained within DLA vice creating a separate CAS agency." (Ref. 15, p. 6)

Based on the foregoing analysis, the final decision of DMRD 916 was to consolidate CAS within the existing DLA structure. (Ref. 15, p. 1) Most of the ideas generated and published in the implementation plan were retained, even though a separate new agency was not formed. (Ref. 18) On 22 June, 1990, a Master Memorandum of Agreement (MMOA) was signed by the Secretary of the Navy and the Director, DLA. The stated purpose of the MMOA was to "transfer responsibility for

performance of Contract Administration Services (CAS)" for an attached list of NAVPROs. The MMOA was very general, addressing primarily personnel and financial transfers. Of particular note, was a section of the MMOA which addressed the transfer of Contract Disbursement functions. It stated, in part:

> Contracts currently administered by the thirteen Navy Plant Representative Offices will be reassigned for payment and data base maintenance to the DLA Finance Center (DFC) or DCMR specified in each annex, in accordance with the following guidelines:
>
> (1) All new contracts and ordering agreements issued after 23 June 1990, and contracts for which there have been no deliveries or payments as of 23 June 1990 will be assumed by DLA on that date.
>
> (2) Contracts on which either deliveries or payments have been made will continue to be paid by the Department of the Navy and will be transferred to DLA as they are reconciled...(Ref. 19)

Transfer of Navy Contract Administration Services (CAS) functions into DCMC was effective as of 24 June 1990 (Ref. 19). The Navy did, however, maintain a presence at the former NAVPROs by establishing what were called Navy Technical Representative Detachments (NTRDs). These detachments existed to perform certain contract ordering tasks which DCMC did not feel were normal CAS delegations under FAR Part 42.302. The NTRDs were dissolved, however and a subsequent MMOA was signed which specifically listed what delegations the DPROs would accept. These, and other significant changes and impacts are discussed in greater detail in Chapter IV.

D. SUMMARY

The Defense Contract Administration organization currently in existence is the result of many years of evolution. Most of the evolutionary changes have been the result of continuing Government efforts to operate economically, while ensuring adequate controls exist within the CAS structure to deter fraud and poor judgment. The long-term trend has been toward greater consolidation, ostensibly as a means of gaining economies of scale, while establishing a uniform, single face to industry. The DCAS organization, which existed within DLA, exemplified this trend. DCAS was a large, uniform organization. It performed in-plant CAS functions at many locations through the use of DCASPROs. Under special circumstances, military Services were allowed to establish Service unique PROs with certain major contractors. These Service PROs often utilized policies and procedures which were quite different from those of the other Service's PROs and DCAS.

Most recently, further evolution has resulted in the disestablishment of DCAS and the establishment of the DCMC. The most recent changes were part of broad efforts to implement the recommendations provided by the Secretary of Defense in his "Defense Management Report to the President" of July 1989. Those recommendations included the establishment of a new, streamlined agency for Contract Administration, while reducing costs, promoting uniform policies and providing

program support. The DCMC was established within DLA, rather than as a separate agency. Cost savings were cited as the reason for not creating a new agency. The DCMC structure resembles that which was proposed for the new agency. It also resembles that of the former DCAS organization, but has fewer geographic divisions (now referred to as Districts). Another major difference is a structural orientation toward the support of program offices.

The following chapter contains the results of extensive surveys of PCOs, ACOs, PMs and industry personnel concerning their perceptions of the consolidation of the former NAVPROs into DCMC.

III. SURVEY RESULTS

A. INTRODUCTION

Questionnaires were sent to NAVAIR PCOs, NAVAIR PMs, DPRO ACOs and their industry counterparts. Distribution was limited to those PCOs and PMs who worked with DPROs which were formerly NAVAIR NAVPROs, ACOs of the DPROs which were formerly NAVAIR NAVPROs, and corporate divisions subject to the on-site cognizance of the former NAVPROs. The corporations and related DPROs included: McDonnell-Douglas; Grumman Aerospace Corp.; General Electric Company (Aircraft Engines Business Group); and Sikorsky Aircraft Division. These individuals were considered the "process owners" of field Contract Administration for major NAVAIR contracts. The first round of surveys, sent only to ACOs and PCOs in May 1991, is referred to as the "early surveys". In the early surveys, there were many PCO responses, however information was gathered from only two DPROs. The second round of surveys went to PCOs, PMs, ACOs and industry. Many PCOs, PMs and all DPROs surveyed responded to the latest survey. Industry responses were obtained through their respective DPROs, except for Grumman, which was obtained directly from the corporation. The second round, which was distributed in November 1991 is referred to as the "latest surveys". The questions for the early surveys were derived through an extensive review of DLA and DCMC internal correspondence regarding the development of DCMC and the transition of Service PROs into DCMC. The early surveys

were designed to elicit maximum discussion in order to isolate any issues which might merit further research. The literature review revealed a strong DCMC emphasis on forging a new, streamlined Contract Management organization by restructuring the previous DCAS organization and integrating the former Service PROs into the new organization. The new organization was intended to be more effective and efficient, despite major reductions in aggregate personnel end strength. The premise that Contract Administration support to customers would not be degraded was prominent in descriptions of the new organization.

The fact that NAVAIR was losing management control of its PROs was sure to have implications for the PCO/ACO relationship as it formerly existed. The research sought to test how customers would actually characterize the impact of the transition on their operations. ACOs within DCMC were also asked to describe what they viewed as likely impacts on their relationships with PCOs and their ability to support them.

The latest survey questions focused on issues brought out in responses to the early surveys, as well as issues gleaned from pertinent literature. To gauge how attitudes were evolving as the transition progressed, some of the questions in the latest survey concerned subjects similar to those in the early survey.

The survey questions and results are listed below, including a discussion of the basis of each question, the results obtained and sample responses. In most cases, similar responses are grouped, and displayed in descending order of frequency on separate bar charts. In other cases, the responses are simply listed. The early surveys are presented first followed by the latest survey.

B. EARLY PROCURING CONTRACTING OFFICER SURVEYS

1. Question One: Impacts of Role Changes

In what ways do you feel the transition of NAVPROs into DCMC will impact your role as PCO? (e.g., the effects on efficiency and ability to prioritize workload within DPRO's matrix management structure)

a. Discussion: Initial research via telephone interviews indicated that the transition of the NAVPROs to DPROs was causing PCOs to lose much of their previous ability to influence NAVPRO ACO priorities (i.e. what to work on first) to satisfy program needs. It was also apparent that a Memorandum of Agreement detailing exactly what additional Contract Administration functions (other than the normal functions listed in FAR part 42.302) the DPROs would perform had not been executed. At that time, DCMC was not agreeable to issuing new Provisioned Item Orders or Basic Ordering Agreement Orders. NAVAIR attempted to maintain the same type of field services as had existed with the NAVPRO by establishing NTRDs at the plants, ostensibly to perform the functions which the DPRO would not. Question one was asked to

obtain PCO views on impacts expected or actually experienced from the NAVPRO/DPRO transition.

b. Results: Figure 6 graphically illustrates the frequency of various impacts foreseen by PCOs questioned.

The most frequent response involved concern that PCO workloads would be negatively impacted if the DPRO would not agree to issue PIO and BOA orders as the NAVPRO had.

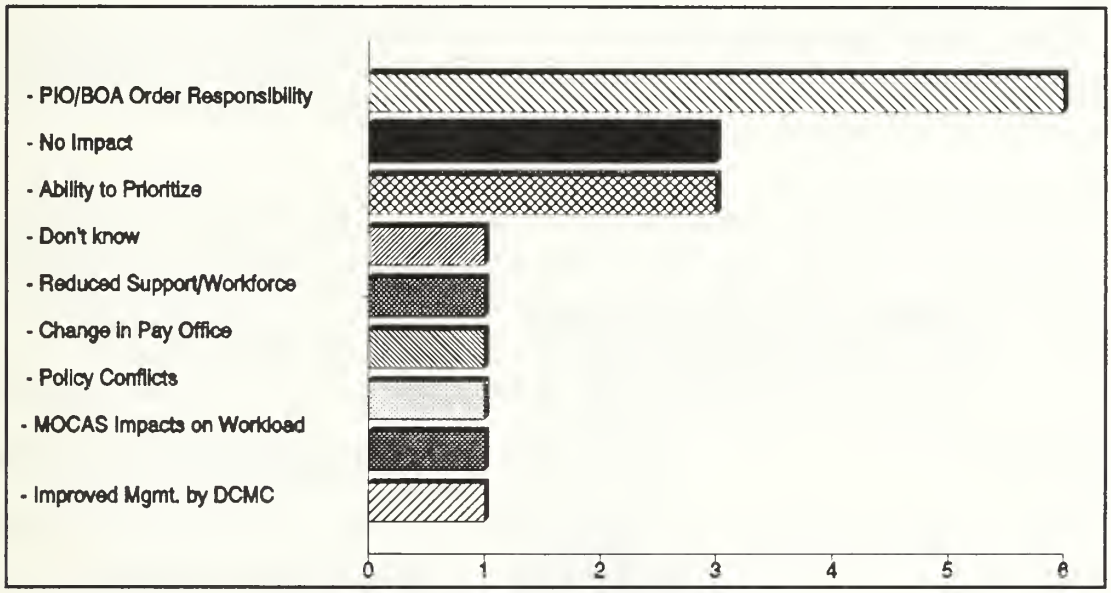

Figure 6 13 RESPONDENTS/18 COMMENTS

This was related to concerns about the NTRD's ability to perform the order issuing functions as illustrated by the following sample responses:

> ...Everyone is concerned that the NTRDs are not going to be able provide the extensive services with respect to issuing orders that NAVPROs used to. This could cause some workload problems at Headquarters.
>
> The effect of the transition will vary depending on the willingness of the DPRO to assume ordering tasks which NAVAIR has traditionally delegated to the ACO.

The next most frequent response was that there was no foreseen impact to the PCO. The following is a sample response:

> Do not foresee any huge impact - have noticed nothing so far.

The next most frequent response indicated that the DPRO might be less responsive to Navy attempts to prioritize DPRO work.

Sample PCO responses follow:

> The NAVPRO was considered a F-14 team member and reacted quickly to Program needs. Although it is too early to comment now, we believe this relationship will erode with time and responsiveness will diminish.

> It will diminish, over time my ability to influence or prioritize DPRO activities. In the short term, the DPRO workforce continues to have an affinity for NAVAIR priorities, however, this can be expected to dissipate as DLA management asserts itself.

The remaining various comments to this question indicated PCOs: didn't know what impacts to expect; expected reduced support due to DCMC workforce reductions; were feeling impacts in the way contracts had to be written, due to paying offices changing; expected pricing policy conflicts between the Navy and DCMC; were experiencing workload increases in accommodating Mechanization of Contract Administration Services (MOCAS) requirements; hoped for positive impacts from DCMC management controls.

2. Question Two: Effectiveness of Program Integrators

How effective will the new DPRO "Program Integrators" be in meeting the needs of their external customers?

a. Discussion: Early discussions with DCMC personnel indicated that "Program Integrators" being established within DCMC and the PROs would be chartered to provide responsive program support. This was also indicated in DLA correspondence which stated:

> Enhanced responsiveness to the technical and programmatic needs of the Services will be provided through a new Engineering and Program Support element at the Command Headquarters, District, AO and PRO levels. (Ref. 20, p. 1)

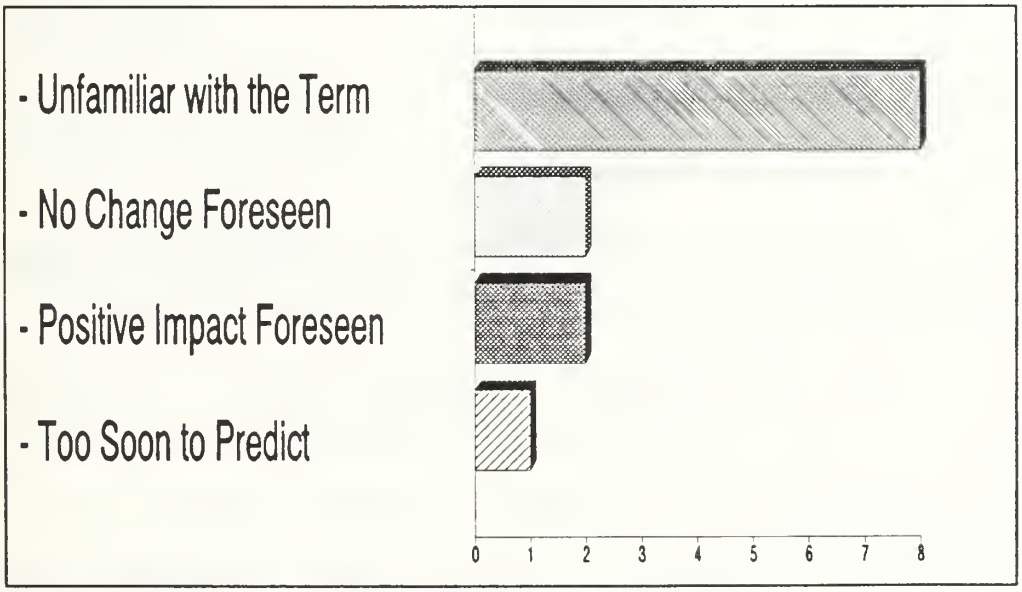

Figure 7 13 RESPONDENTS/13 COMMENTS

Question two was asked to determine PCO familiarity and opinions (if any) regarding the value of "Program Integrators" within the DPROs.

b. Results: Figure 7 graphically displays the results of this question.

The most common response indicated that the PCO was not acquainted with a DPRO position called "Program Integrator". One PCO asked: "What are they and what will they do?" Some who were familiar with the concept did not foresee any change resulting from establishment of the position. As an example, one PCO indicated:

> DPRO Program Integrators are well intentioned but will not be able to motivate/get support from an increasingly insulated/detached DPRO matrix.

Some expected a positive impact:

> The integrators are effective in motivating both NAVAIR to respond to the field and vice versa. A definite plus!
>
> To date I have no experience in using the "Program Integrators". It appears to be a step in the right direction.

3. Question Three: Impacts on Working Relationships

How does (or will) your relationship with the DPRO ACO differ from your previous NAVPRO ACO relationship? (e.g. types of actions delegated before and after change)

a. Discussion: The fact that the PROs would no longer be in the NAVAIR chain-of-command had implications for existing PCO/ACO relationships. Question three was designed to gather information on changes in the PCO/ACO relationship. The researcher felt that identification of any problems would facilitate recommendations for a smoother transition.

b. Results: Figure 8 graphically illustrates the responses to this question.

Most of the comments on the reduction in ACO delegation acceptances referred to the issuance of PIO and BOA orders. Some other issues were mentioned as well. The following are sample responses:

> The ACOs will not issue orders under BOAs or provisioned items since DLA considers these new procurement.
>
> Our observation has been that DPRO has divested itself with any warranty administration and contract funding monitoring responsibilities in addition to the issuance of orders.
>
> Subcontractor plans are now being sent here for approval.

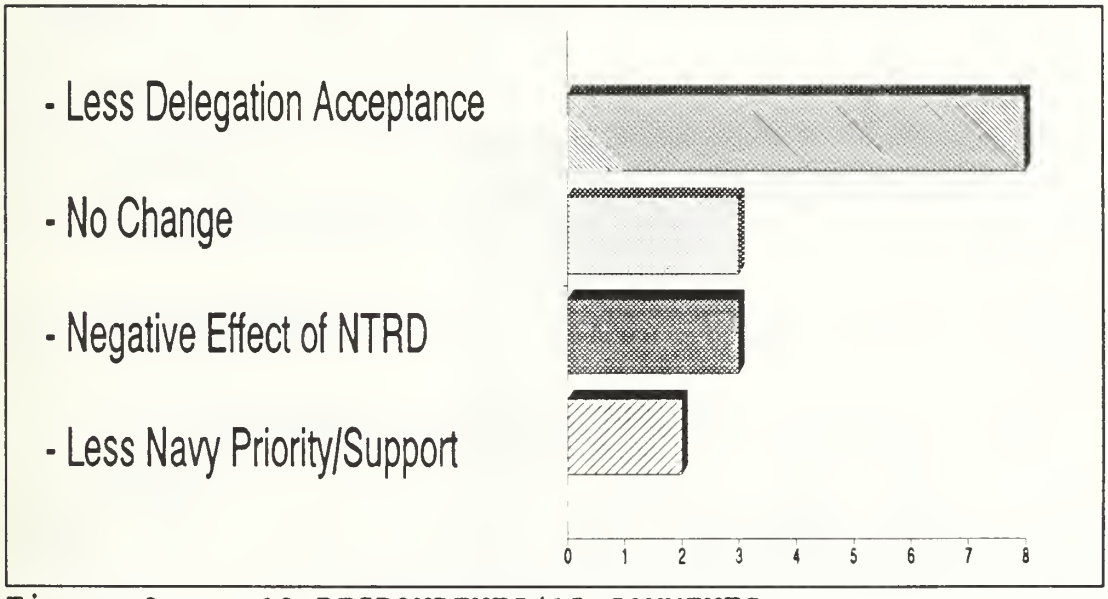

Figure 8 13 RESPONDENTS/15 COMMENTS

Some PCOs identified the assumption of order issuing responsibilities by the NTRDs as a negative change. The following example illustrates:

> ACO is no longer issuing orders. NTRDs have been established for this purpose. I am fearful that NTRDs will not be able to provide the "coordinated" services that the ACO used to under NAVPRO.

Other comments reflected concern with support provided by the DPRO ACOs:

> Navy work will not have priority as in the old system.
>
> The DLA management reporting systems "grade" ACOs on the time required to accomplish various Contract Administration actions and not on the level of support provided to PCOs and program offices...DLAM 8105.1 provides an internal focus to the Contract Administration process.

4. Question Four: Impacts on Approval Requirements

Were there any ACO actions requiring PCO approval that ceased after DCMC transition?

a. Discussion: Question four was designed to gather information on whether DCMC had assumed responsibility for any approvals which had formerly been made by NAVAIR PCOs.

b. Results: The only change noted was from a PCO who stated:

> Clearance approval for actions over $10M. These were rare.

5. Question Five: Impacts on Priorities

Have you noticed a change in the ACO's priorities since the transition to DCMC? (e.g., is Contract Administration now a greater priority?)

a. Discussion: Question five was asked with the assumption that ACO priorities might become oriented toward the objectives of DCMC rather than the Navy. The question sought to elicit information on what PCOs viewed as DCMC priorities for ACOs.

b. Results: Figure 9 graphically illustrates the results of this question. Most had seen no change in ACO priorities. Most of those who did note changes identified

DCMC management information reporting or the Mechanization of Contract Administration Services system (MOCAS) as a new priority for ACOs.

The following are sample responses:

> Meeting the DLA management reporting goals is now the primary focus.
>
> Yes. The MOCAS system input is definitely a priority.

Another PCO noted:

> The ACO is required to prioritize on a first in first out basis. Apparently all actions have the same importance.

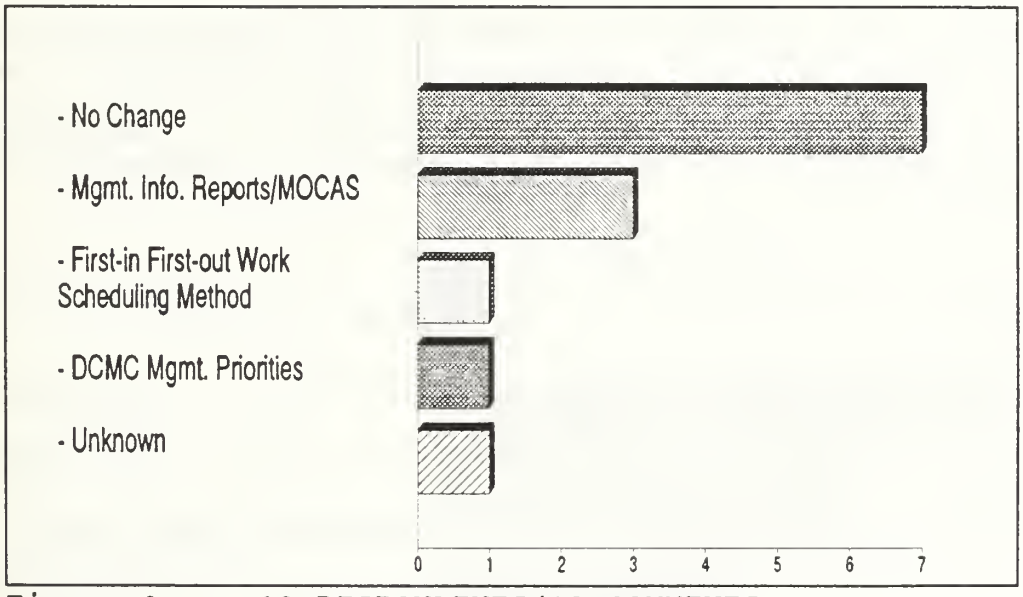

Figure 9 13 RESPONDENTS/13 COMMENTS

6. Question Six: Performance Appraisal Input

Did you have input to ACO performance appraisals under NAVPRO? Does PCO have input since NAVPRO became DPRO?

a. Discussion: Question six made the assumption that if the PCO had the opportunity to provide inputs into the ACO performance appraisals, then an increase in responsiveness

from the ACO could be expected. If an ACO had been receiving performance appraisal inputs from a PCO, and that practice was discontinued under DCMC, the PCO might see less responsiveness as a result.

b. Results: All but two PCOs responded that they did not have input to NAVPRO ACO performance appraisals. Those two indicated that it was at their own option to provide input. All PCOs indicated that they had no input into ACO performance appraisals under DCMC.

7. Question Seven: Memorandums of Understanding

A. Is there a memorandum of understanding (MOU) between the ACO/PCO? If so, what agreements does it make?

B. Was there a memorandum of understanding previously with NAVPRO? What types of agreements were in previous MOU?

a. Discussion: Questions seven (A) and (B) were designed to determine what agreements, if any, the PCO has with the ACO under DCMC and what agreements, if any the PCO formerly had with the ACO under the NAVPRO. The question sought to establish if there were/are any blanket agreements or unique agreements between PCOs and ACOs. Such agreements would help clarify the relationship between the organizations and settle conflicts.

b. Results: All PCOs indicated there had been no MOUs between them and the NAVPRO ACOs. However, one reported that each program had a specific MOU with NAVPRO personnel which included a Contract Administration section, addressing such functions as ACO issuance of orders.

With respect to a MOU with the DPRO ACO, two PCOs indicated knowledge of a MOU being drafted, but could not specify the contents. Another PCO reported that an understanding had been reached with the DPRO related to which contracts would be transferred to MOCAS.

8. Question Eight: Impacts on Audit Issue Policies

What differences exist between NAVPRO and DPRO policies regarding Defense Contract Audit Agency (DCAA) issues?

a. Discussion: The researcher felt that a change in emphasis on DCAA issues might impact the rapidity of DPRO action on PCO delegated work. This question was asked to gather information regarding perceived differences between DCMC versus Navy emphasis on DCAA recommendations.

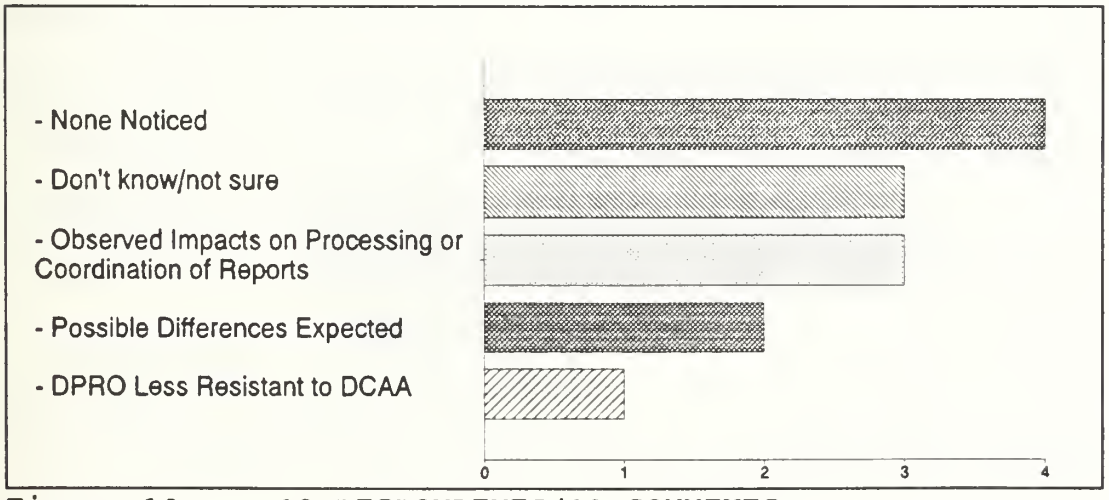

Figure 10 13 RESPONDENTS/13 COMMENTS

b. Results: Figure 10 graphically illustrates the results of this question.

Most respondents either perceived no changes or didn't know of any. The remaining PCOs had either observed some changes/impacts or expected possible changes in PRO policies regarding DCAA issues.

Sample responses follow:

> There are differences in processing acceptances through the MOCAS system.
>
> The only difference is now DPRO pricing, in lieu of the ACO, coordinates audit reports.
>
> DPRO is less inclined to resist/act in contravention of DCAA recommendations.

9. Question Nine: Use of Process Action Teams

Are there any joint NAVAIR/DPRO Process Action Teams working on inter-office contracting issues?

a. Discussion: Question nine was asked in consideration of the recent Defense Department emphasis on Total Quality Management (TQM). The consolidation of Contract Administration Services into a new organization would appear to be a prime candidate for the use of TQM methods.

b. Results: None of the PCOs reported any knowledge of official Process Action Teams working the transition. One agreed that it would be a good idea, and another mentioned that unofficially efforts were being conducted between the program office and the DPRO.

10. Question Ten: Impacts on Cost/Schedule Monitoring

Do you foresee any impact of the transition on Cost/Schedule Control Systems Criteria C/SCSC monitoring by the DPRO?

a. Discussion: Question ten was based on an assumption that less emphasis might be placed on Cost/Schedule monitoring by DCMC, since it was not experienced in monitoring the status of contracts as large as those being turned over by the Navy. Also, the Navy, being the funding activity for the major contracts, as well as the program manager, may have had more of a vested interest in maintaining strict control of costs/schedules than DCMC would.

b. Results: Figure 11 graphically displays the results of this question.

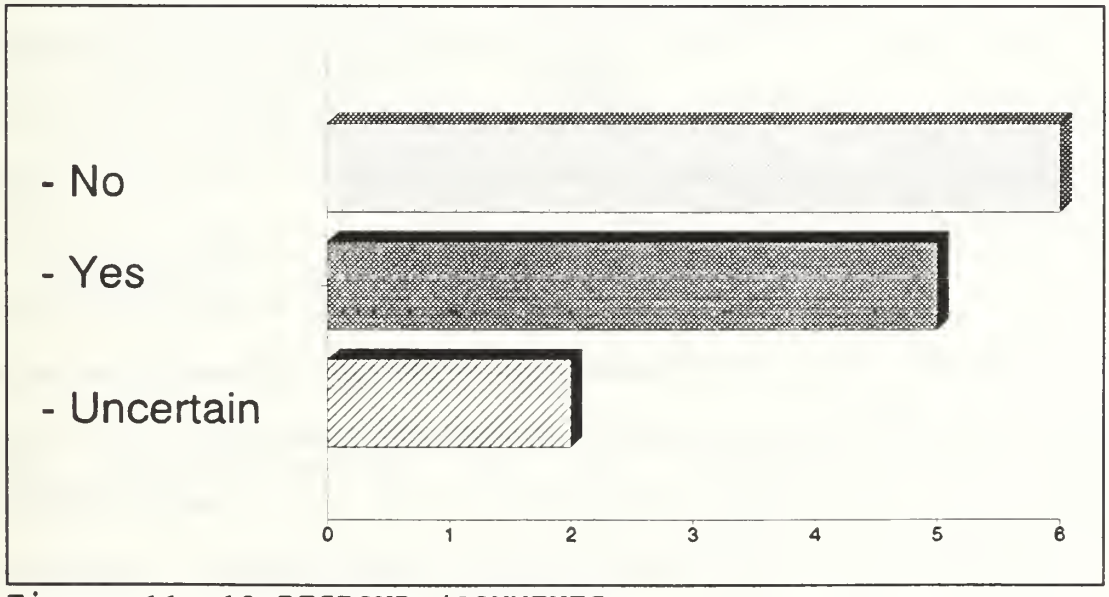

Figure 11 13 RESPOND./COMMENTS

Most PCOs either did not foresee an impact on C/SCSC monitoring or didn't know whether there would be an

impact. Some who did expect an improvement in monitoring indicated recent problems with the A-12 aircraft program were behind the improvements.

Sample responses follow:

> It will be difficult for the DPRO to maintain the technical expertise in C/SCSC. The NAVPROs lost many senior engineers when they converted to DPROs.
>
> More hands on by DPRO due to A-12 horrors - hopefully fewer mistakes/more vigilance in the future.
>
> Yes...technical assets (e.g. Industrial Engineers, Engineers, Quality Assurance) and Cost Analyst assets are going to be more attuned to program tracking. Administrative monitoring is likely to draw time away from program related contracting actions.

11. Question Eleven: Observed Industry Reactions

Please describe any industry reaction you have observed regarding the NAVPRO/DPRO transition.

a. Discussion: The transition has forced industry to discontinue long-term relationships with Service PROs which were direct links to the Service program offices. A review of associated correspondence revealed plans to "disengage from contractor oversight where it makes sense." (Ref. 21, p.1)

A reduction of oversight might be expected to be received favorably by industry. However, other correspondence points up the "Need to address such things as: "Continued support to a "worried" contractor" (Ref. 3). This question was designed to obtain PCO views and insights regarding industry reactions.

b. Results: Figure 12 graphically displays the results of this question. Although the most common response

was that PCOs had seen no reaction from industry, the remainder provided a wide variety of reactions.

Sample responses follow:

> Sikorsky is concerned with the backlog of actions currently performed by the NTRDs who are not sufficient in number to accommodate all of the actions on their plate. Seem not to have support from DPRO or NAVAIR.
>
> GAC was primarily concerned about prompt payment. NAVPRO had been turning requests around very quickly. Since the transition, I haven't heard any complaints about this.
>
> Sikorsky has taken advantage of the NAVPRO-DPRO transition and the creation of the NTRD to sow confusion by playing the various parts of the Government against each other.

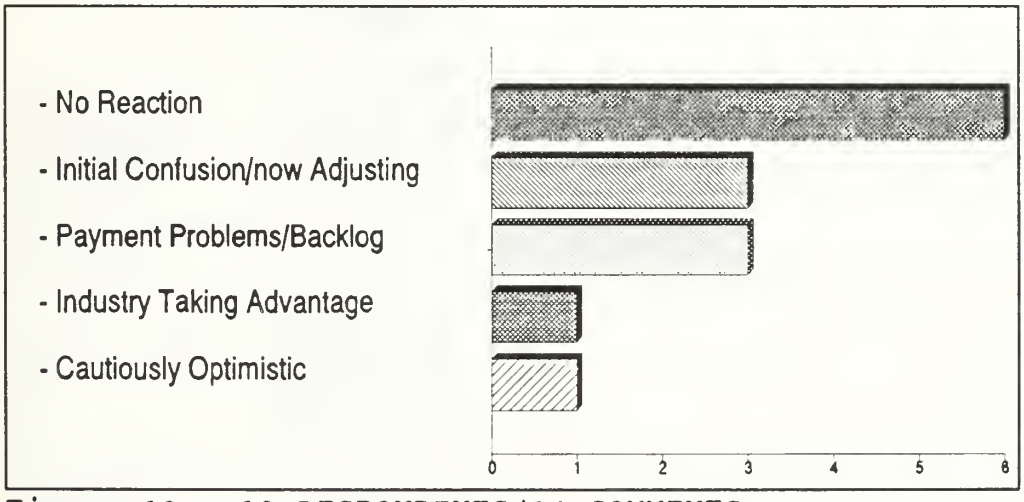

Figure 12 13 RESPONDENTS/14 COMMENTS

12. Question Twelve: Suggestions

What suggestions would you make toward optimizing the effectiveness of the new NAVAIR/DPRO contracting relationship?

a. Discussion: This question was intended to collect beneficial ideas from those closest to the contracting process.

The ideas collected could then be synthesized into recommendations linked to the primary conclusions of the study.

b. Results: Figure 13 graphically displays the results of this question. There were a wide variety of suggestions provided in response to this question. The most common responses suggested that improving communications is the key to optimizing the NAVAIR/DPRO relationship. Some felt that allowing the DPROs the discretion to accept whatever types of delegated work within their capacity would provide the best program support.

Sample responses follow:

> To stress the importance of Post-award conferences. Use these to sort out and correct contractual and organizational problems.
>
> Perhaps a MOU at DLA/NAVAIR level outlining what can and cannot be delegated by NAVAIR, and if the former, what NAVAIR will provide to ACO along with the delegation (support documentation, etc.).
>
> More communication. Have the DPRO comment on major draft contracts before they are executed if the DPRO will be administering. Many of these questions are premature. I think in a year or two I would have better insight.

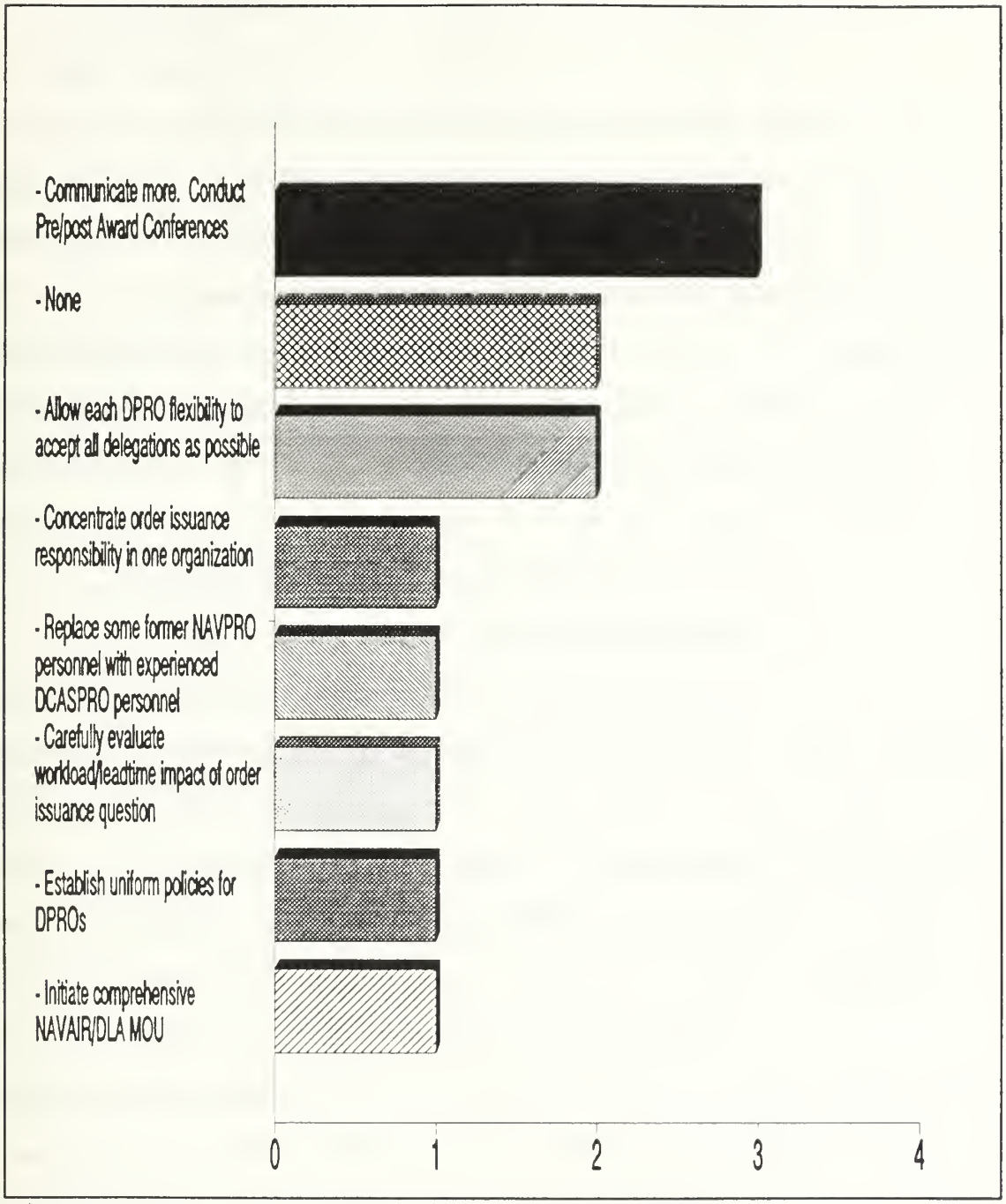
- Communicate more. Conduct Pre/post Award Conferences
- None
- Allow each DPRO flexibility to accept all delegations as possible
- Concentrate order issuance responsibility in one organization
- Replace some former NAVPRO personnel with experienced DCASPRO personnel
- Carefully evaluate workload/leadtime impact of order issuance question
- Establish uniform policies for DPROs
- Initiate comprehensive NAVAIR/DLA MOU
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Figure 13 13 RESPONDENTS/15 COMMENTS

13. Summary

The early PCO surveys revealed several important points. These points may be categorized as factors related to two general areas of change. These include organizational structure/roles, and organizational priorities. These points are discussed below. Although PCO perceptions as DPRO customers are important, ACOs are in perhaps the best position to observe the changes brought about by the consolidation. From their vantage point, ACOs probably in the best positions to project future impacts of the transition. The following section describes the results of early ACO surveys.

a. Structure and Roles

In the area of organizational structure and roles, PCOs indicated considerable concern over the issue of who would perform the role of issuing PIO and BOA orders. They seemed particularly concerned that they might be forced to add this function to their own workloads if a solution were not found.

Another interesting finding in this area, was that most PCOs were not familiar with the Program Integrator function within the DPROs. This seemed unusual, considering the importance DCMC had been attaching to the function in the literature reviewed.

Significantly, no PCOs reported having MOUs with their ACOs. Some form of MOU seems appropriate for the purpose of clarifying working relationships.

One PCO recommended a MOU at the NAVAIR/DLA level addressing DPRO delegations.

Some PCOs indicated that the DPROs needed enough organizational flexibility to accept as many types of delegations as they can feasibly perform.

Perhaps the most significant finding related to role relationships was that many PCOs felt that communications were lacking. Some PCOs indicated that more emphasis needed to be placed on the importance of pre- and post-award conferences.

b. Organizational Priorities

Many PCOs had noticed a change in organizational priorities within the PRO. Most notably, the MOCAS system and associated reporting requirements had been given high priorities within the DPRO.

Another significant finding was the fact that ACOs were apparently being required, as a new practice, to prioritize their workloads on a first-in, first out basis.

C. EARLY ADMINISTRATIVE CONTRACTING OFFICER SURVEY:

Early ACO questionnaire responses were only available from two DPROs, Grumman and McDonnell-Douglas. Each of these DPROs provided single responses containing an extensive discussion of each question. The primary points brought out in each response are presented below:

1. Question One: Impacts of Role Changes

In what ways do you feel the transition of NAVPROs into DCMC will impact your role as ACO? (e.g., the effects on efficiency and ability to prioritize workload within DPRO's management structure)

a. Discussion: Question one was designed to obtain information on role changes being experienced by ACOs. ACOs who had previously worked in the NAVPRO organization would likely have insight into the impact of role changes on their ability to support programs.

b. Results: The major points emphasized in response to this question were:

1. In the long-term, efficiency would be degraded due to:

a. Restructuring along functional lines.
Taking the "pricing" function out of ACO teams and moving it to a Financial Services Branch, will result in delays to negotiations due to the time it will now take to get a pricing report. This will increase the undefinitized order backlog.

b. "Concentration on the age of orders only, and not the age and dollar value."
The NAVPROs prioritized workload based on both the age, and the dollar values of contractual actions. The DPROs prioritize primarily on the basis of age.

2. Management has been enhanced through delegation of ACO warrants to more personnel.
By issuing warrants to many more personnel below the Branch Chief level, the Branch Chief may now spend less

time reviewing and signing contractual actions, and more time managing.

Sample responses follow:

...in the 1983-1985 timeframe this office (then a NAVPRO) had an undefinitized order backlog of over one billion dollars....This large backlog did not occur through poor management, but rather as a factor of McAir being the largest and only defense contractor with five major programs...Because we had the latitude, under NAVAIRSYSCOM, we were able to adjust/modify our ways of doing business that best accomplished a drastic reduction to the backlog over a period of years to the manageable level of just under two hundred million dollars. The biggest single contributor to the reduction was allowing each program to do their own pricing.

The DCMC structure enables former NAVPRO ACOs (who were also Branch Chiefs) to delegate routine ACO signatory functions, in that it calls for ACO warrants at the working level (GS-12). On the positive side , this provides more time for management functions.

2. Question Two: Effectiveness of Program Integrators

How effective will establishment of the new DPRO "Program Integrator" positions be in meeting the needs of their external customers?

a. Discussion: Question two was asked to obtain ACO opinions as to the value of establishing Program Integrator functions in the DPRO as a means of ensuring strong customer support.

b. Results: The major points emphasized in responses were:

1. No impact or apparent impact yet.

2. Impact will not be evident to customers, since this position already existed in the NAVPROs under the name "Program Manager Representative" (PMR).

Sample responses follow:

The effectiveness will be transparent to the customer. The "Program Integrator" is not a new position, per se, simply the renaming of a Navy position.

At the present time there is no discernable impact. Only time will tell what the "value added" will be for program Integrators.

3. Question Three: Impacts on Working Relationships

How does (or will) your relationship with the NAVAIR PCO differ from the relationship prior to the NAVPRO becoming a DPRO? (e.g. types of actions delegated before and after change)

a. Discussion: The fact that the PROs would no longer be in the NAVAIR chain-of-command had implications for existing PCO/ACO relationships. Question three was designed to gather information on changes in the PCO/ACO relationship. Identification of any problems will facilitate recommendations for a smoother transition.

b. Results: The primary points brought out in response to this question follow:

1. Will not be issuing PIO/BOA orders.
Previously, the NAVPRO would receive taskings from NAVAIR to issue Provisioned Item Orders (PIOs) against items listed in NAVAIR annual contracts. These items included spares, technical manuals, ground support equipment and logistical support items. The NAVPRO would issue either fully priced orders, or unpriced orders which would be subsequently definitized.

2. More autonomy for ACOs.
Since the DPRO is not a NAVAIR activity, ACOs may not be under the same pressure to react to what some viewed as crisis management by NAVAIR personnel. DPRO personnel presumed this would allow them to plan their own workload and thus, become more efficient.

Sample responses follow:

> The biggest impact will be that the ACO will not have any provisioning delegations. We will not be writing orders for new work, simply definitizing work already on contract. Now the PCO will have to write the orders directly or delegate the writing to...the NTRD. It does not make sense to have extra personnel doing a task that an in-house org already had the expertise to do.
>
> More autonomy will presumably allow ACOs to act more independently and efficiently than before.

4. Question Four: Impacts on Approval Requirements

Were there any ACO actions requiring PCO approval that ceased after DCMC transition?

a. Discussion: Question four was designed to gather information as to whether DCMC had assumed responsibility for any approvals which had formerly been made by NAVAIR PCOs.

b. Results: The primary points brought out in response to this question are as follows:

> 1. PCO approval of Pre- and Post-negotiation positions over $10 million formerly required PCO approval, now are approved within DCMC.
>
> 2. Reduced efficiency due to review board requirements. DCMC has lower thresholds at which contractual actions must be approved by a review board. Since most of the actions within the DPRO will meet the board threshold, this requirement will cause delays.

A sample response follows:

> The only ACO actions requiring PCO approval were the processing of pre/post negotiation business clearances over $10M. This ceased with the advent of DLA. Now, even though local, the dollar threshold for approval starts at $250,000. All cases involving dollars of $500,000 or more are supposed to be presented to a board of contract review. Since most cases (95%) at this contractor exceed that amount, the board will be another inefficiency or slow down to the process.

5. Question Five: Impacts on Priorities

Have you noticed a change in organizational goals or priorities since the transition to DCMC (e.g. number of UCAs, delivery surveillance, etc.)

a. Discussion: Question five was asked with the assumption that ACO priorities might become oriented toward the objectives of DCMC rather than the Navy. The question sought to elicit information on what ACOs viewed as DCMC priorities.

b. Results: The major points brought out in response to this question follow:

1. Delivery surveillance has become more of a priority under DCMC.

2. Maintenance of the DCMC Mechanization of Contract Administration Services system (MOCAS) is now a priority. MOCAS enforces discipline needed to close-out contracts, but is labor intensive.

3. NAVAIR emphasis was on <u>dollars</u> undefinitized and urgency of requirements. DCMC has shifted emphasis to <u>numbers</u> of overaged, undefinitized contracts, and contracts requiring close-out. Close-outs were not a major NAVAIR concern.

A sample response follows:

> There has been a drastic change in goals...DLA bogies are unrealistic at this size contractor. When you are definitizing 200 to 300 orders a year valued between $10,000 all the up to $50,000,000, it is unrealistic to expect that orders over 180 days old can be kept under 4% to 8% of your total orders on hand...As mentioned earlier, the bogies don't even consider the dollar value or the urgency of some requirements.

6. Question Six: Impacts on Lines of Authority

How have your lines of authority within DPRO changed since the transition? How do these changes impact your effectiveness?

a. Discussion: Review of DCMC implementation plans and related correspondence indicated changes were taking place in the structure and lines of authority of the PROs. This included the movement of Industrial Engineers and other technical personnel into a new division to be called the Program and Technical Support Division. Question six was designed to obtain further information and ACO reactions to the changes.

b. Results: The following changes were brought out in response to this question:

1. NAVPRO had separate Negotiators and Contract Administrators. DPRO Contract Administrators are all tasked with both negotiating and routine administration duties.

2. NAVPRO had five major divisions. DPRO combines functions into three major divisions. Some personnel from the NAVPRO Industrial Divisions and Management Support Divisions were subsumed by the Contracts Management Division, making it much larger than before. A Program and Technical Support Division was established.

3. Cost and Price analysis functions were previously done by the negotiators. That function was entirely segregated into a dedicated Financial Services Branch, under the Contracts Management Division.

4. ACOs were reportedly receiving a high volume of requests from DCMC for types of data which were proving very difficult to provide.

Sample responses follow:

How do these changes sit with people? Some like having the warrant and responsibility that go with it. The complaints center around too many short-fused data calls

(involving data that are sometimes difficult or nearly impossible to generate: example: number of contract line items with delinquent deliveries, when many of our pre-June 1990 contracts are not in MOCAS), too laborious a database, and conflicting priorities between serving the customer and answering the mail on administrative matters.

7. Question Seven: Memorandums of Understanding

A. Is there a Memorandum Of Understanding between the ACO/PCO? If so, what agreements does it make? Was there a memorandum of understanding previously with NAVAIR?

B. What types of agreements were in previous MOU?

a. Discussion: Questions seven (A) and (B) were designed to determine what agreements, if any, the PCO has with the ACO under DCMC and what agreements, if any, the PCO formerly had with the ACO under the NAVPRO. The question sought to establish if there were/are any blanket agreements or unique agreements between PCOs and ACOs. Such agreements would help clarify the relationship between the organizations and settle conflicts.

b. Results: The DPROs were not aware of any present or previous MOUs.

8. Question Eight: Impacts on Audit Issue Policies

What differences exist between NAVPRO and DPRO policies regarding DCAA issues?

a. Discussion: The researcher felt that a change in emphasis on DCAA issues might impact the rapidity of DPRO action on PCO delegated work.

b. Results: None noted.

9. Question Nine: Uses of Process Action Teams

Are there any joint NAVAIR/DPRO Process Action Teams working on inter-office contracting issues?

a. Discussion: Question nine was asked in consideration of the recent Defense Department emphasis on Total Quality Management (TQM). The consolidation of Contract Administration Services into a new organization would appear to be a prime candidate for the use of TQM methods.

b. Results: No joint NAVAIR/DPRO Process Action Teams were known to exist, however, internal NAVPRO/DPRO teams existed, as well as joint NAVAIR/Contractor teams.

10. Question Ten: Impacts on Cost/Schedule Monitoring

Do you foresee any impact of the transition on C/SCSC monitoring by the DPRO?

a. Discussion: Question ten was based on an assumption that less emphasis might be placed on Cost/Schedule monitoring by DCMC, since it was not experienced in monitoring the status of contracts as large as those being turned over by the Navy. Also, the Navy, as the funding activity/program manager for the major contracts may have had more of a vested interest in maintaining strict control of costs/schedules than DCMC would.

b. Results: On programs where C/SCSC is required, more aggressive monitoring is being practiced, probably more as a result of the A-12 program problems than the transition.

The following is a sample response:

> The C/SCSC monitoring by the DPRO has become more intensified and centralized under our Program Integrator

Division basically as a result of lessons learned on the now defunct A-12 program rather than being the result of the NAVPRO/DPRO transition.

11. Question Eleven: Observed Industry Reactions

Please describe any industry reaction you have observed regarding the NAVPRO/DPRO transition.

a. Discussion: The transition is forcing industry to discontinue long-term relationships with Service PROs which were direct links to the Service program offices. A review of associated correspondence reveals plans to "disengage from contractor oversight where it makes sense." (Ref. 21, p.1) A reduction of oversight might be expected to be received favorably by industry. However, other correspondence points up the "Need to address such things as: Continued support to a "worried" contractor". (Ref. 3) This question was designed to obtain ACO views and insights regarding Industry reactions.

b. Results: Only one DPRO noted any contractor reaction to the transition.

Observed Contractor reactions include:

1. Concern with DCMC's ability to act quickly on progress payment requests and invoice billings.

2. Contractor prefers MOCAS method of electronic funds transfer to manual payment method.

The following is a sample response:

This contractor sweats bullets over cash flow and the time value of money, as I'm sure others do. DFAS has to do as good or better than the former payment offices or the contractor community will be howling.

12. Question Twelve: Suggestions

What suggestions would you make toward optimizing the effectiveness of the new NAVAIR/DPRO contracting relationship?

a. Discussion: This question was intended to collect beneficial ideas from those closest to the contracting process. The ideas collected could then be synthesized into recommendations linked to the primary conclusions of the study.

b. Results: Suggestions included:

1. DLA recognition that the new DPROs are cognizant of much larger contractors than DLA is used to overseeing.

2. That DLA realize that the DPROs cognizant of the larger contractors must be allowed the flexibility to operate differently than the smaller PROs.

3. Resolution of the PIO ordering problem.

The following is a sample response:

> With the loss of order writing and requirements placing, NAVAIR has had to go to a layering of and in some instances duplication of efforts at the PRO level. The contractor is answering and coordinating with two different organizations at the PRO level (DPRO and NTRD).

13. Summary

The early ACO surveys revealed several important points. These points may be categorized as factors related to three general areas of change. These include organizational structure/roles, MIS/Control systems, and organizational priorities. These points are discussed below. The sections which follow this summary provide the results of the latest surveys of PCOs, ACOs, industry and PMs, respectively.

a. Structure and Roles

A major change in structure and roles was the creation of Financial Services Branches within the new DPROs for the purpose of performing all Cost and Price Analysis. Previously the NAVPRO negotiators had performed these functions themselves. Feedback from one DPRO indicated that this was a negative change, since it would cause delays in negotiations due to negotiators having to wait for pricing reports from the Financial Services Branch.

In a related role change, DPRO feedback indicated that previously, NAVPROs had separate groups of personnel performing negotiations and routine Contract Administrative functions. Under DCMC these roles were combined, with Contract Administrators performing routine Contract Administration, as well as negotiations. This resulted in a greater degree of generalization among the negotiators and administrators, and more specialization for those who became Price Analysts.

ACO feedback also revealed the fact that the PROs had gone from having five major divisions as NAVPROs, to three divisions as DPROs. The Contracts Management Division absorbed some personnel from the other divisions, the Quality Assurance Division continued as before, and a new division was formed from personnel of the former Engineering and Industrial Divisions. The new Division was call the Program and Technical Support Division. In addition to performing

Engineering and Industrial Support functions, this new division would manage the new Program Integrator positions.

Early ACO feedback regarding the establishment of the Program Integrator function, as a means of supporting external customers, indicated little actual effect. ACOs viewed the new function as primarily a name change for a position that had previously been known as the Program Manager Representative (PMR). One DPRO indicated it would take some time before the true effects of the new position might be realized.

The fact that the PRO would no longer be issuing PIO/BOA orders was also mentioned in early ACO feedback. It was also revealed that the Navy had established on-site detachments which would continue to perform the orders issuing functions. One DPRO noted that the function should remain with the PRO, since they already had personnel skilled in performing that function.

Another interesting finding was that despite heavy emphasis on TQM within DoD, no Process Action Teams were known to be working jointly with the NAVAIR customer, although internal DPRO teams existed, as well as joint NAVAIR/Contractor teams.

b. MIS/Control Systems

There was one comment regarding industry reactions to the NAVPRO/DPRO transition. That DPRO indicated contractor concerns over the ability of the DPRO to process

progress payments. These concerns related to the fact that invoice billings would have to be forwarded to a DCMC District office for payment via the MOCAS system. The DPRO did indicate, however, that the contractor preferred the electronic payment capability afforded by MOCAS to manual payment.

c. Organizational Priorities

A significant shift in workload prioritization methods was brought out in the early ACO surveys. Whereas NAVAIR had annual dollar goals for definitizations, DCMC sets quantity goals for definitizations. Early ACO feedback indicated that although NAVAIR gave some consideration to the age of undefinitized orders, the dollar amount and urgency were most important in deciding what actions were given priority. The ACO feedback indicated that the DCMC focus was primarily on the age of orders, regardless of dollar value.

ACO feedback revealed that maintenance of DCMC's Mechanization of Contract Administration Services (MOCAS) system had become a high priority. This apparently related to the greater emphasis placed on Contract Close-outs by DCMC. This emphasis, in turn, affected the roles of Contract Administrators, who became responsible for the upkeep of MOCAS.

D. LATEST PROCURING CONTRACTING OFFICER SURVEY

1. Question One: Key Differences in Methods

What do you perceive as the key differences between DCMC Contract Administration Methods and those formerly used by the NAVPRO? What impacts (positive and negative) are DCMC's Contract Administration methods having on their ability to support NAVAIR and Industry customers?

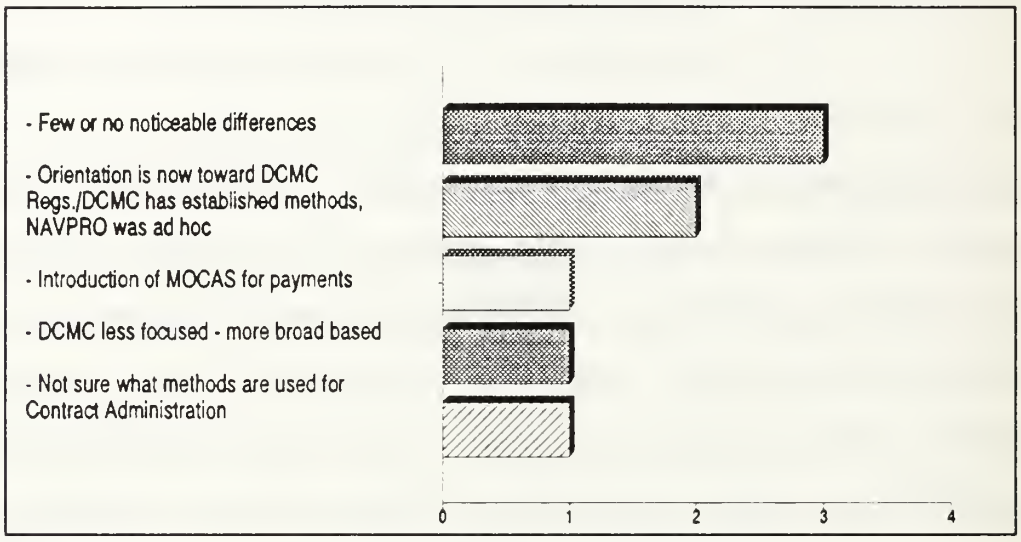
a. Discussion: This two-part question was designed to elicit PCO perceptions of changes in Contract Administration methods under DCMC. It was also intended to obtain views regarding the research question: "What impacts are DCMC's methods of Contract Administration having on their Navy Customers and industry." Some individuals answered both parts with a single response. The indicated differences in methods are shown separately from indicated impacts.

b. Results: Figure 14 graphically displays the responses related to changes in methods. The most common response was from PCOs who felt that there was no noticeable change in Contract Administration methods. Those who did perceive changes indicated that DCMC possessed more established methods, and was more oriented toward following regulations than the NAVPRO had been.

Sample responses follow:

> The key differences seem to be that DCMC has established methods and procedures for situations normally faced by ACOs whereas the former NAVPRO seemed to address contract administration on an ad hoc basis.
>
> Currently I perceive no difference in methods. My ACO is still doing business with me almost identically to the way he supported me in the past.

NAVPRO Orientation - We will perform whatever contract administration activity is required to support the program, PM and PCO.
DPRO Orientation - We will perform only those contract administration activities authorized by DCMC regulations, unless we have a compelling reason not to.


- Few or no noticeable differences
- Orientation is now toward DCMC Regs./DCMC has established methods, NAVPRO was ad hoc
- Introduction of MOCAS for payments
- DCMC less focused - more broad based
- Not sure what methods are used for Contract Administration
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4

Figure 14 8 RESPONDENTS/8 COMMENTS
Key Differences

Figure 15 graphically displays responses related to impacts of changes in management methods. The most common response was from PCOs who perceived no impact from DCMC methods. Those who perceived impacts felt that DCMC's "broad based" coverage and "tighter" administration would have positive impacts. Negative impacts were related the use of MOCAS and flexibility.

Sample responses follow:

Key impact has been introduction/mandate of MOCAS in paying contractor - has caused more work, confusion and little value added. It also increases costs in re: implementation.

Negative - Targeting specific issues is more difficult.
Positive - Coverage is very complete and broad based.

These procedures should result in tighter administration of contracts in the long term and thereby increase the probability that the contract performance will reflect the written contract.

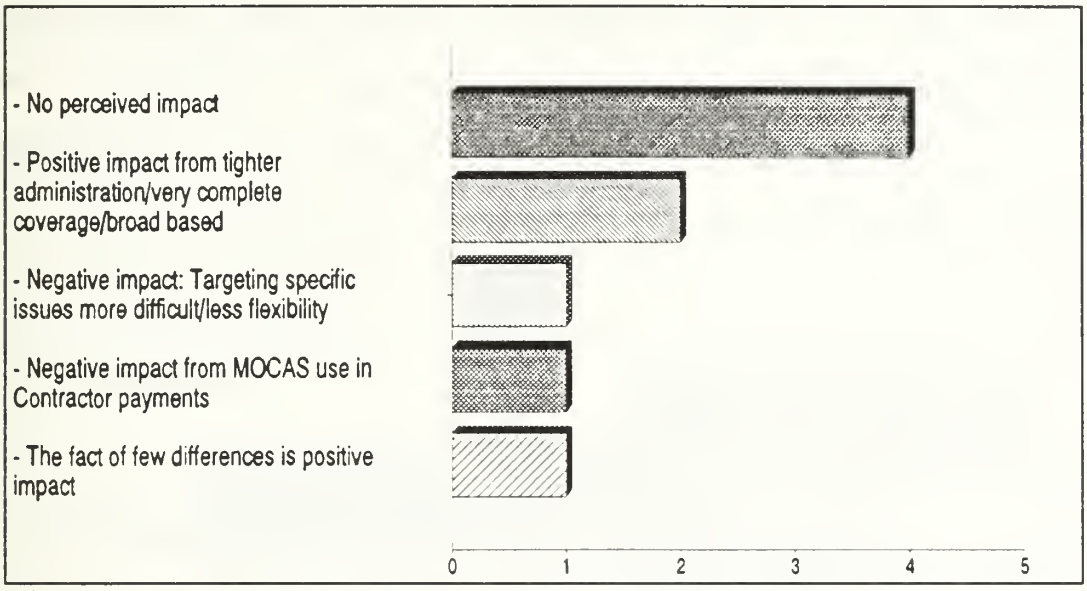
- No perceived impact
- Positive impact from tighter administration/very complete coverage/broad based
- Negative impact: Targeting specific issues more difficult/less flexibility
- Negative impact from MOCAS use in Contractor payments
- The fact of few differences is positive impact
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Figure 15 8 RESPONDENTS/9 COMMENTS Impacts

2. Question Two: Key Differences in Priorities

What do you perceive as the key differences between the organizational priorities which existed when your Contract Administration Office was a NAVPRO versus the priorities now emphasized as a DPRO? Why do you feel DPRO priorities are different than those of the NAVPRO? What impact are the differing priorities likely to have on you as the Navy customer?

a. Discussion: Early research revealed concerns by PCOs and ACOs that the organizational priorities of the DPRO might conflict with those of the Navy customer. This multi-part question was designed to obtain updated PCO views regarding changes in organizational priorities under DCMC. It was intended to elicit information related to the research question: "What are the key differences between DCMC and Navy organizational priorities and perceived roles concerning

Contract Administration?" The question was also intended to obtain perceptions of the impacts of DCMC priorities on Navy customers. Some individuals answered all parts of the question with a single response. The key differences are shown separately from perceived impacts.

b. Results: Figure 16 graphically displays the perceived key differences in organizational priorities.

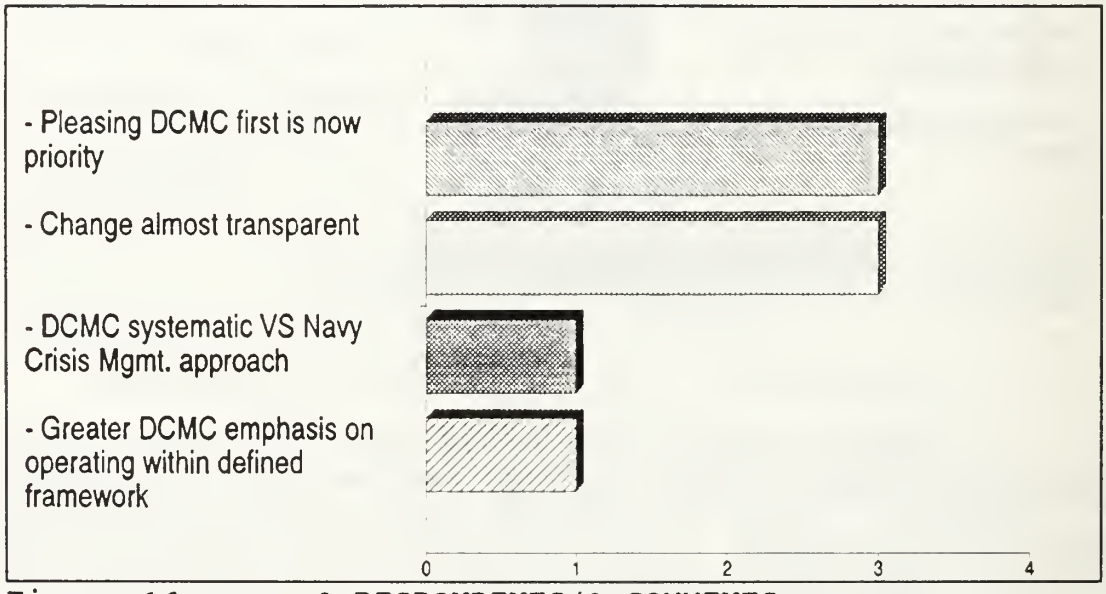
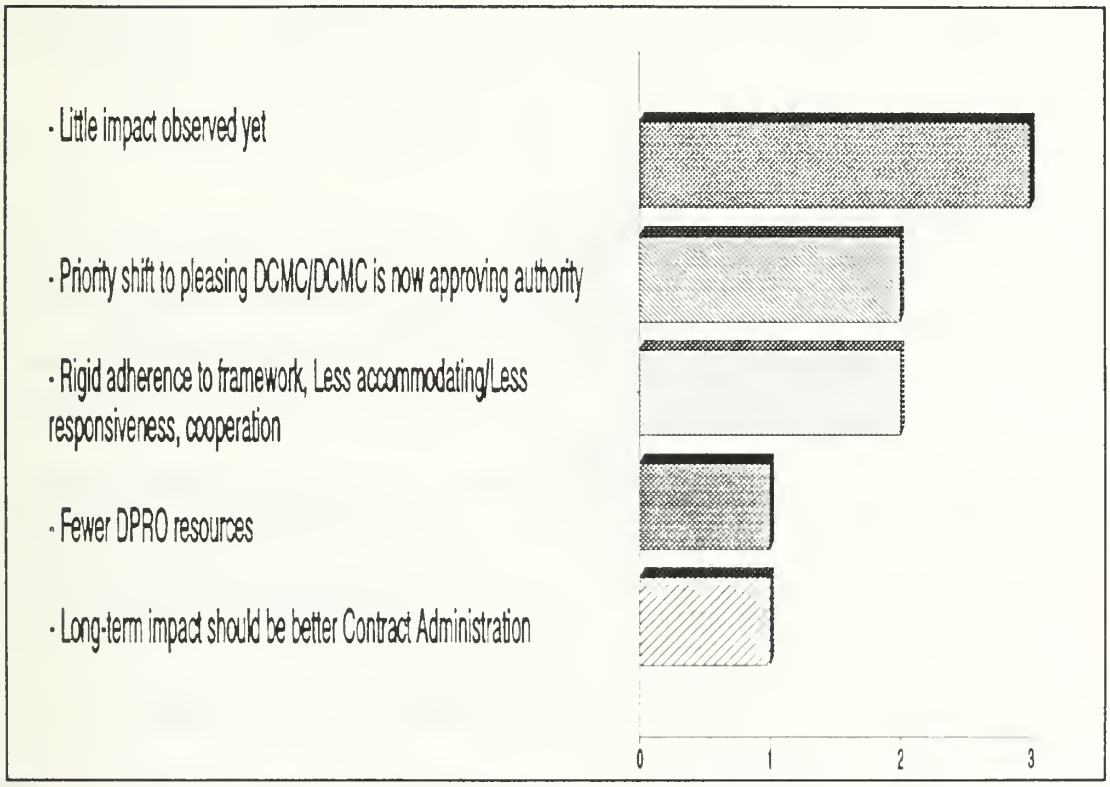


Figure 16 8 RESPONDENTS/8 COMMENTS
Key Differences

Figure 17 graphically displays PCO perceived impacts of the changes in priorities.

Most PCOs have recognized some change in organizational priorities within the PRO since the transition. The greatest common response was that satisfying the DCMC organization is now the first priority. One felt that the NAVPRO framework was more dynamic and accommodating of

customer needs. Most PCOs also perceived impacts of changing priorities. Some PCOs indicated somewhat negative effects for the Navy customer, such as less responsiveness and cooperation. Some indicated that the impact was that DCMC is now the approving authority on what were formerly Navy decisions.


· Little impact observed yet
· Priority shift to pleasing DCMC/DCMC is now approving authority
· Rigid adherence to framework, Less accommodating/Less responsiveness, cooperation
· Fewer DPRO resources
· Long-term impact should be better Contract Administration
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2
3

Figure 17 8 RESPONDENTS/9 COMMENTS

Sample responses follow:

NAVPRO priorities were to service Navy, particularly NAVAIR. Priority seems to have shifted to pleasing/impressing DCMC first (understandably). Now everything has to be approved by DCMC rather than at NAVAIR.

NAVPROs - Buying activities set the priorities. Framework was dynamic.

DPRO - DCMC establishes framework and buying activities set priorities within this framework.
Priorities differed with framework. DCMC is more static - only changes when change is fully supported. Driven more by purple suit leadership. NAVPRO is dynamic. Navy leadership methodology more applicable. Adjustments often made to framework to accommodate customer without regard to impact on framework.

"How will this look to the boss (DCMC)?" is now a priority of the organization where the thought never seemed before to exist...DPRO priorities are far more likely to cause them to decide in favor of solutions which make fewer waves in DCMC management VS one which will best serve the Navy's need...Sometime, somewhere, the Navy customer will be hurt by this prioritization.

...Why have DPRO's priorities changed? Who does your performance evaluations?

DCMC seems to take a more systematic approach to allocating resources and measuring workload, in contrast to the management by crisis approach formerly employed. The former NAVPRO seemed to determine its priorities based on the latest pressures from the NAVAIR program office. In the long term, this should result in better contract administration.

Organizational priorities remain set by the PCO; when problems have arisen, the PCO's voice was heard; we are seen as the person in charge.

Change appears almost transparent. Grumman is the only contractor having problems with transition.

3. Question Three: Impacts from Role Changes

What impacts have you felt from changes in ACO team <u>roles and responsibilities</u> since the transition from NAVPRO to DPRO? (e.g. price analysis responsibilities)

a. Discussion: Early research revealed the fact that many role changes were taking place within the PRO organizations. This question sought to determine what long-term impacts may have occurred due to role changes.
It was also intended to elicit information related to the research question: "What are the key differences between DCMC

and Navy organizational priorities and perceived roles concerning Contract Administration?"

b. Results: Most PCOs reported no impact from changes in ACO team roles and responsibilities. Both negative and positive impacts were reported. However, the negative impacts appeared minor compared to the positive impacts. Figure 18 graphically illustrates the responses to this question.

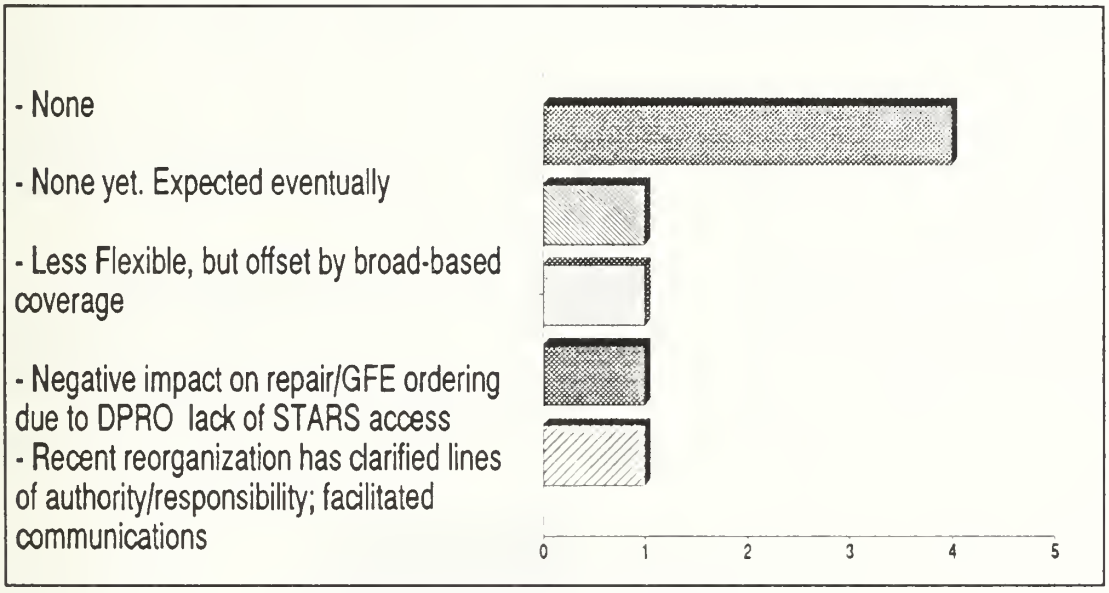
- None
- None yet. Expected eventually
- Less Flexible, but offset by broad-based coverage
- Negative impact on repair/GFE ordering due to DPRO lack of STARS access
- Recent reorganization has clarified lines of authority/responsibility; facilitated communications
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Figure 18 8 RESPONDENTS/8 COMMENTS

Sample responses follow:

None yet, NAVPRO personnel are still in place. Over time, loyalty to NAVAIR will dissipate.

Initially felt the impact of having to set up NTRDs to place orders for BOAs and Provisioning Line Items. Also felt the impact of having to modify all active contract vehicles for NTRD ordering vs ACO. Since DCMC agreed to order placement have had to modify some vehicles back to ACO vs NTRD, but expect to be back to normal.

DPRO lack of STARS access as NAVPRO had hurts repair/GFE replacement ordering.

The primary effect of the transition on ACO roles was to cause a period of confusion over order placement. This appears to have been resolved. The recent DPRO reorganization has also clarified lines of responsibility, has facilitated communication by clarifying lines of authority.

4. Question Four (a): Memorandums of Understanding

Do you or your program office have a separate Memorandum of Understanding with your ACO? If so, what major agreements does it make?

a. Discussion: Early research revealed very few Memorandums of Understanding (MOUs) with the DPRO. This question sought to establish if any unique agreements between PCOs and ACOs had been established since the first survey. Such agreements would help clarify the relationship between the organizations and settle conflicts.

b. Results: Half of the PCOs reported that individual MOUs were in the process of negotiations with the

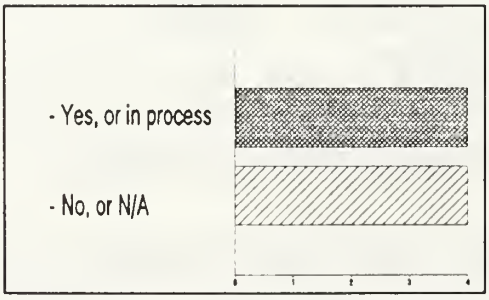

Figure 19 8 RESPONDENTS/ 8 COMMENTS

DPRO. The other half reported having no MOUs or plans for them. There were various items being included in MOUs, as discussed in the following sample responses:

Yes - one in process, but my familiarity is limited. Major agreements include non - mandatory (but routine) Contract Administration function delegations, plant visit

security/program clearance understandings/guidelines, agreements on engineering support requirements for pending major E & MD program (ACAT I)

In draft form. It describes technical and contractual support plus establishment of a Program Integrator.

No, only ACO duties assigned in NAVAIR H - clauses.

4. Question Four (b): Impact on Delegations

Is there any type of authority you feel should be delegated to the ACO which DCMC does not allow?

a. Discussion: Early research indicated that PCOs were concerned that ACOs might not perform as many services after the transition to DCMC. This question was related to the previous question concerning MOUs in that an MOU would probably be an appropriate vehicle for delegations.

b. Results: Although a Master Memorandum of Agreement (MMOA) was signed between the Navy and DCMC in November 1991, these January 1992 responses still indicated uncertainty concerning DPRO acceptance of some delegations.

Figure 20 graphically displays the results of this question. Most PCOs indicated some problems remain, or that they are unclear as to what the MMOA agrees to.

Sample responses follow:

Issuance of change orders, provisioned orders, delivery orders is a problem.

Yes - Definitization of other than unpriced orders. DCMC accounting problems cause DPROs to decline accepting requisitions for orders to be definitized prior to award.

Assuming that the ACOs will be authorized to place provisioned and BOA orders, none.

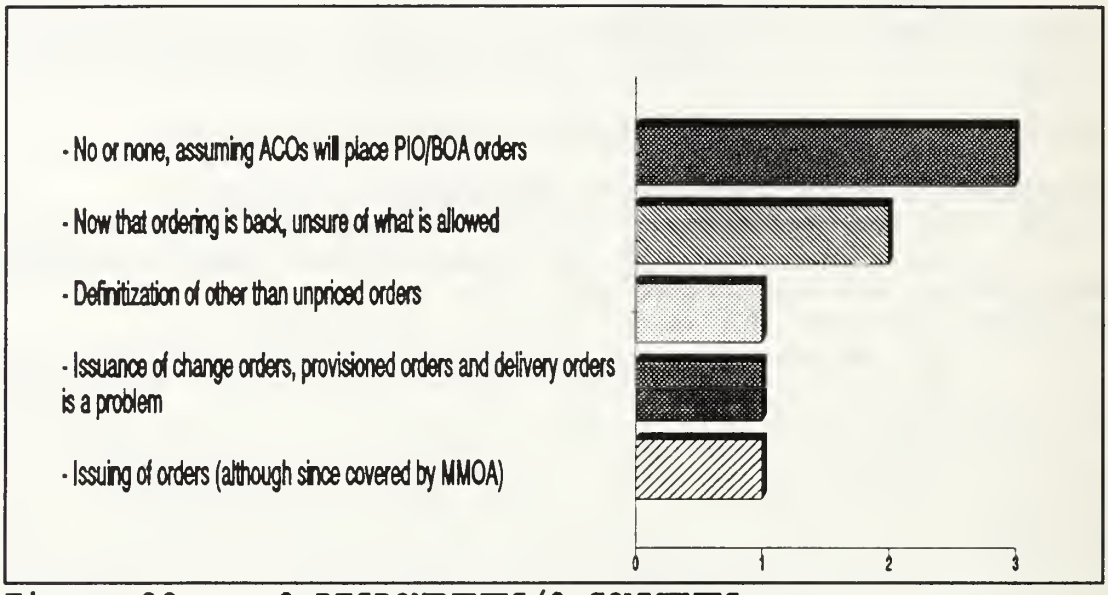
- No or none, assuming ACOs will place PIO/BOA orders
- Now that ordering is back, unsure of what is allowed
- Definitization of other than unpriced orders
- Issuance of change orders, provisioned orders and delivery orders is a problem
- Issuing of orders (although since covered by MMOA)
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Figure 20 8 RESPONDENTS/8 COMMENTS

5. Question Five (a): Benefits for Industry

What benefits do you see the consolidation of Contract Administration Services having for industry?

a. Discussion: This question was designed to help answer the subsidiary research question "What impacts are DCMC's methods of Contract Administration having on their Navy customers and industry?". Proponents of CAS consolidation believe that industry is better off when the number of separate Government entities providing direction is minimized. In the case of some NAVPROs, the contractor was required to interact with representatives of the Navy and Air Force. Proponents also feel that, with consolidation under DCMC, contractors will only have to learn one set of Contract Administration rules.

Without consolidation, contractors had to be equipped to comply with rules that varied between the Services and DCAS.

Another action with potential for impact to industry was the consolidation of contractor payments through the DLA Finance Center. Some contractors formerly dealt with NAVPRO Disbursing offices within their own plant.

Further impact to industry may result from DCMC initiatives to reduce contractor oversight. Referring to DPRO staffing, a DCMC draft letter to the Under Secretary of Defense (Acquisition) (USD(A)) stated:

> The objective is to transition to the approach that will result in increased efficiency and economy of operations without sacrificing service and, hopefully, reduce the Government's in-plant presence. (Ref. 22, p.5) (underline emphasis added)

PCO and ACO reactions to this question are compared with industry perceptions of consolidation benefits in Chapter IV.

b. Results: Figure 21 graphically illustrates the results of this question. In the most common response, PCOs agreed that uniformity of rules and treatment were the greatest potential benefits to industry. Some PCOs were skeptical that such benefits would actually accrue to industry, however.

Sample responses follow:

> Could have benefit of one face to industry if DCMC ever has "one face" - Currently still behave like AFPROs, DPROs, NAVPROs, etc.
>
> ...Increased responsiveness. This will be a result of the necessary coordination between DPROs and buying

commands. Both entities will see the benefits of greater cooperation.

I question if there is any unless some contractors find less responsive DPROs (vs NAVPRO) sometimes become less intrusive and, thus, perhaps less successful in ferreting out budding problems.

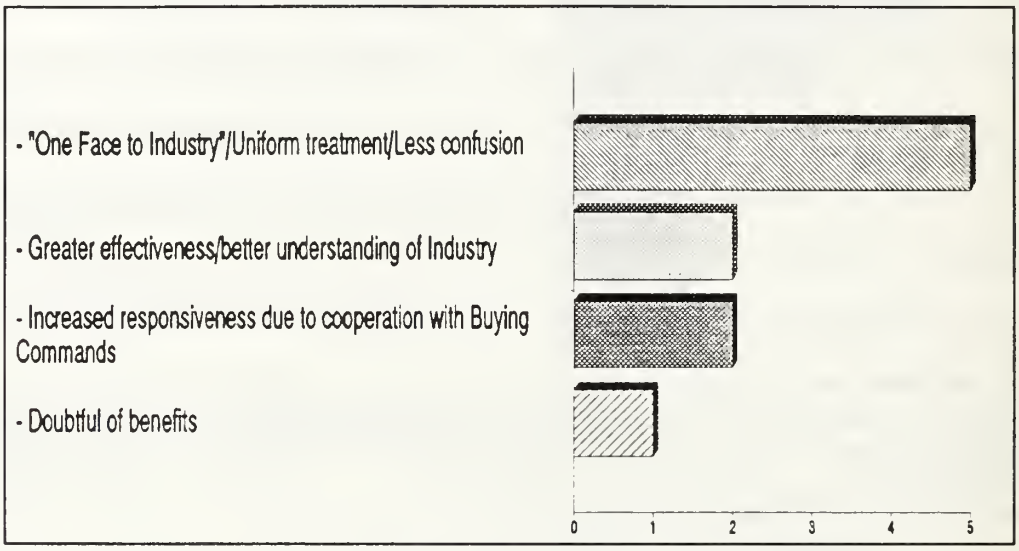

Figure 21 8 RESPONDENTS/10 COMMENTS

5. Question Five (b): Interaction with Contractors

Have you noticed any change in your interaction with the prime contractor since the transition?

a. Discussion: This second part of question 5 was designed to supplement responses to the basic question of what PCOs perceive as benefits to industry. If the contractor was experiencing major benefits or problems from consolidation, it might impact interactions with the Buying Command.

b. Results: Figure 22 graphically illustrates the responses to this question. The largest number of responses came from those PCOs who reported no changes to their interactions with the contractor. Half of the respondents did, however, see some minor changes.

Sample responses follow:

Since the transition became imminent, the contractor has paid more attention to negotiating the technical requirements of the contracts.

Only Grumman, especially electronic transfer.

I had to intercede on his behalf to get a prompt payment made when it was a material element of a settlement where I had never had to take any involvement in payment issues before.

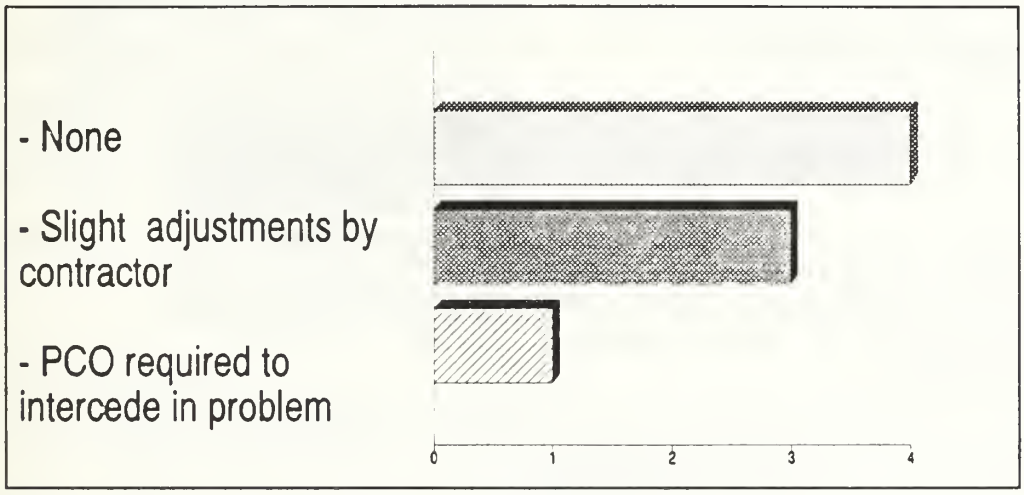

Figure 22 8 RESPOND./8 COMMENTS

6. Question Six: Adoption of "Best Practices"

What functions were/are performed better by the NAVPRO or the DPRO organization? What previous NAVPRO practices should DCMC consider adopting?

a. Discussion: As in the ACO survey, this question relates to the Best Practices program in that it sought to elicit opinions from PCOs regarding the value of using certain NAVPRO practices versus DPRO practices. Information obtained through this question was used in the analysis and recommendations sections of this study.

b. Results: Figure 23 graphically illustrates the results of this question. All responses are combined into one figure. Several PCOs mentioned order issuing as a function that was performed better by the NAVPRO. One mentioned

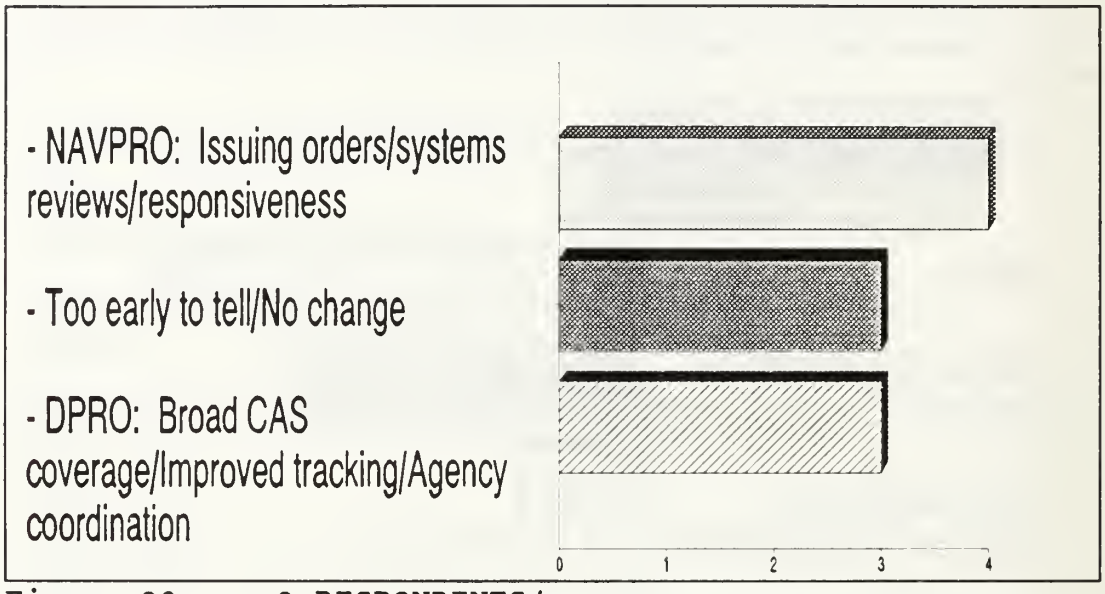

Figure 23 8 RESPONDENTS/ 10 COMMENTS

systems reviews. Systems reviews are generally done less frequently under DCMC.

Sample responses follow:

> NAVPRO - Better review of contractor systems - purchasing, quality, proposal prep., etc.
> DPRO - Broad coverage of all CAS areas and better headquarters consolidated reporting. DPRO should have more systems reviews.
>
> You could count on NAVPRO responsiveness, but DPRO has a different master, and it is not the Navy. I expect the support I have become accustomed to may be impacted in time.
>
> Tracking of actions, training, and overall contract administration all appear to be improving albeit slowly. I can think of no previous NAVPRO practices which need to be adopted, other than order placement.

7. Question Seven: Experiences with "Best Practices"

Please describe your experiences, if any, with the DCMC "Best Practices" program and your impressions of its success thus far.

a. Discussion: Early in the establishment of DCMC, there was considerable discussion of the "Best Practices" program. This program was to be used as a means of synthesizing the best existing Contract Administration practices of the Service PROs and DLA into a more effective, efficient organization. This question was designed to establish PCO familiarity with the DCMC "Best Practices" program and their opinions of its success.

b. Results: In all cases, the PCOs were unfamiliar with the program.

8. Question Eight: Alignment of Objectives

What further actions should be taken to bring Navy and DCMC Contract Administration objectives into accord, while keeping customer support in focus?

a. Discussion: This question was partially based on the subsidiary research question: "What can be done to bring DCMC and Navy Contract Administration organizational priorities into accord." It was also following up on feedback from early surveys which indicated that one of the primary differences between the Navy and DCMC approaches to Contract Administration was in the area of objectives. For example, the Navy had given higher priority to objectives such as reducing overall dollar values of UCAs, while DCMC was more concerned with the quantities of UCAs definitized.

Assuming the Navy had good reasons for the objectives, it had established for the NAVPROs, any general deviation from these objectives by DCMC could be expected to run counter to NAVAIR interests. This question sought PCO recommendations for melding DCMC/Navy objectives.

b. Results: Figure 24 graphically illustrates the diversity of responses to this question. The largest single

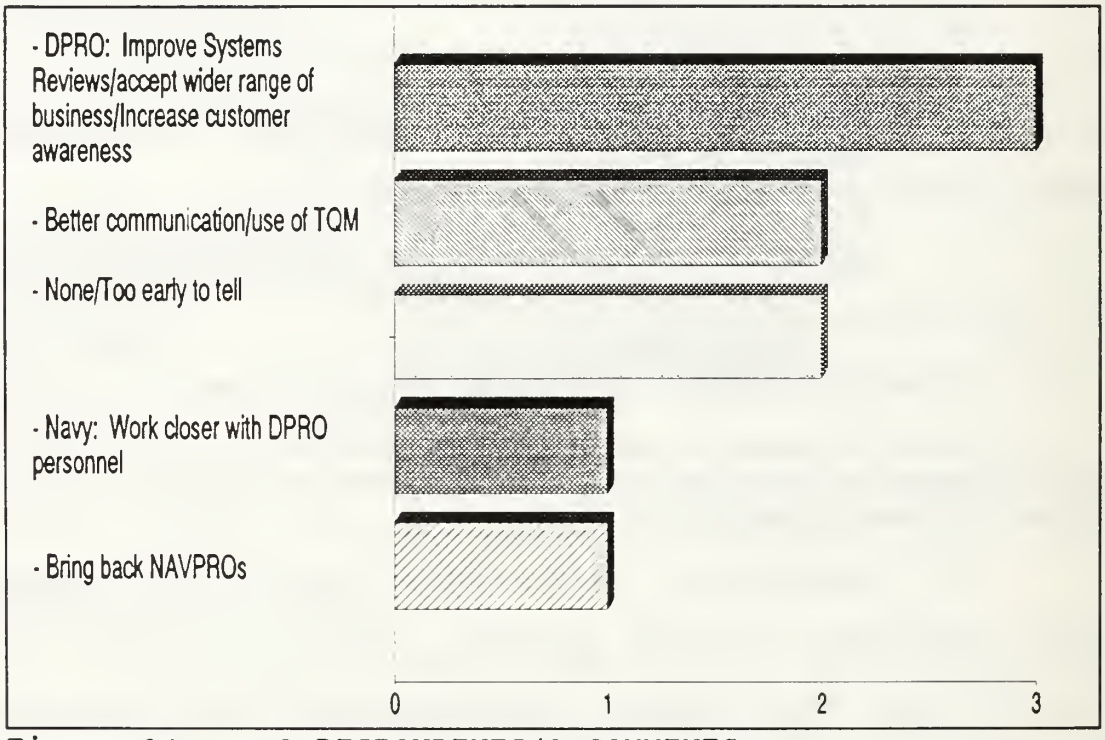
- DPRO: Improve Systems Reviews/accept wider range of business/Increase customer awareness
- Better communication/use of TQM
- None/Too early to tell
- Navy: Work closer with DPRO personnel
- Bring back NAVPROs
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Figure 24 8 RESPONDENTS/9 COMMENTS

response category included PCOs who felt that DCMC should take certain actions to improve customer support. Others recommended mutual actions such as the use of Total Quality Management (TQM) as a means of bringing objectives into accord. One recommended that the Navy work closer with the DPRO.

Sample responses follow:

Make sure customer support also remains the number one focus; ahead of appearance up the line.

Strive for TQM and excellence across the board. Efficiency varies from DCMC to DCMC by location.

Buying activities must work closer with DPRO personnel. View them as a valuable tool and team asset. They can be helpful.
DPRO must improve system reviews and establish mechanism for accepting wider range of business.

9. Question Nine: Impacts on Government Relationships

What improvements have you observed in NAVAIR/DPRO interaction since the consolidation took place?

a. Discussion: This question was asked with the assumption that on-going efforts such as memorandums of agreement would have lead to continuous improvement in interactions since the consolidation.

b. Results: The results of this question are graphically displayed in Figure 25. Most PCOs noted very few

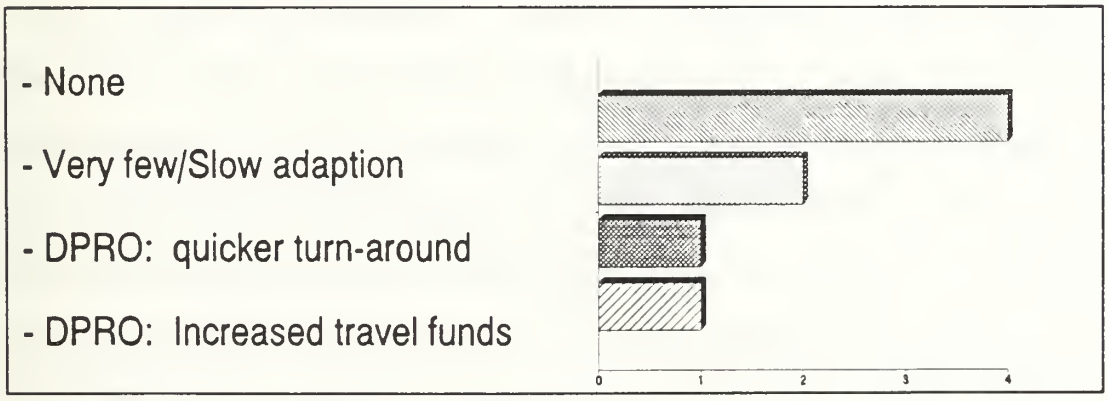

Figure 25 8 RESPONDENTS/ 8 COMMENTS

or no perceptible changes in interactions since the beginning of the consolidation. This may be due to the fact that the

interaction between NAVAIR and the DPRO is between essentially the same leadership and personnel as before the transition.

Sample responses follow:

Very few. Previous status quo holding. Change - adaption is occurring slowly.

DPRO - Quicker turn/around and response time, in general.

10. Question Ten: Suggestions to Improve Relationships

What more can be done to improve the relationship between the Navy and DCMC Contract Management organizations? (e.g. methods of improving communications or becoming more major systems oriented)

a. Discussion: This question sought to elicit opinions related to the subsidiary research question: "What can be done to improve the relationship between the Navy and DCMC Contract Administration organizations?".

b. Results: The responses to this question are graphically displayed in Figure 26. There were a variety of recommendations for improving organizational relationships, however, the largest single response group had no recommendations. This may indicate that those PCOs were essentially satisfied with their DPRO relationships, especially since PIO/BOA ordering has been reinstated within the PROs. The fact that they are still interacting with essentially the same personnel in the DPROs may also account for the lack of recommendations. Most recommendations involved enhancements to communications in one form or another.

Sample responses follow:

...Incentivize adaptation, discourage "old outlook"

Have DCMC monitor all locations to improve the less responsive units.

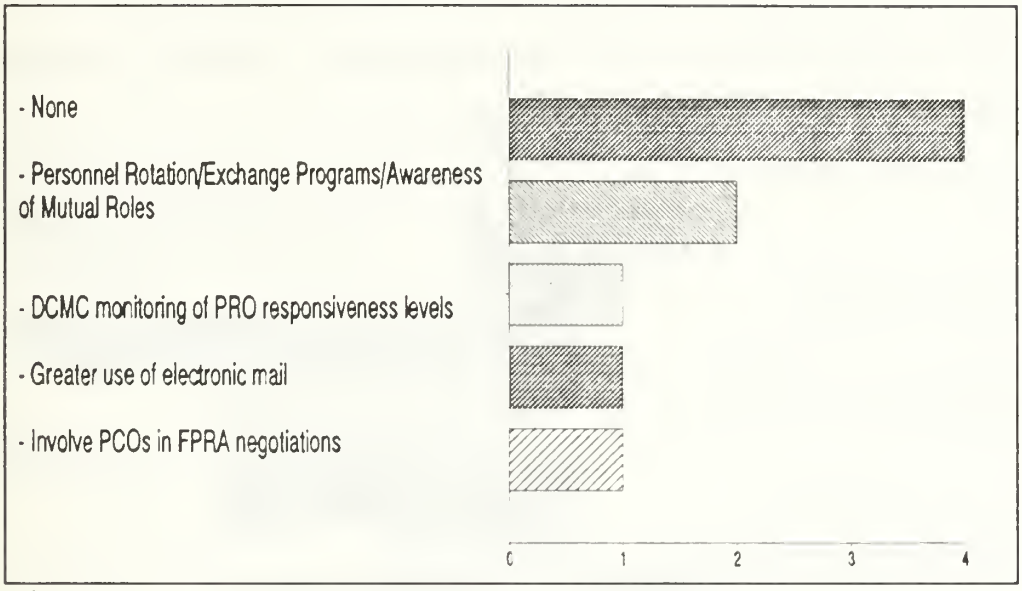

Figure 26 8 RESPONDENTS/9 COMMENTS

11. Question Eleven (a): Impacts on Responsiveness

Have you observed any change in ACO responsiveness or timeliness since the transition?

a. Discussion: Early research indicated PCOs expected a decline in DPRO responsiveness as DCMC management took control. The larger volume of administrative reporting requirements was also expected to impinge on ACO timeliness. This question sought PCO perceptions as to whether responsiveness or timeliness had undergone any change.

b. Results: Responses to this question are graphically displayed in Figure 27. Some felt responsiveness had improved, while others felt that it had declined or may decline in the future. The largest single response group

consisted of those PCOs who reported no change, or "none yet". These responses may reflect the possibility that long-standing relationships remain intact between PCOs and DPRO personnel, resulting in no immediate change in responsiveness. Many PCO and ACO responses to various questions indicate a strong loyalty of DPRO personnel to the Navy.

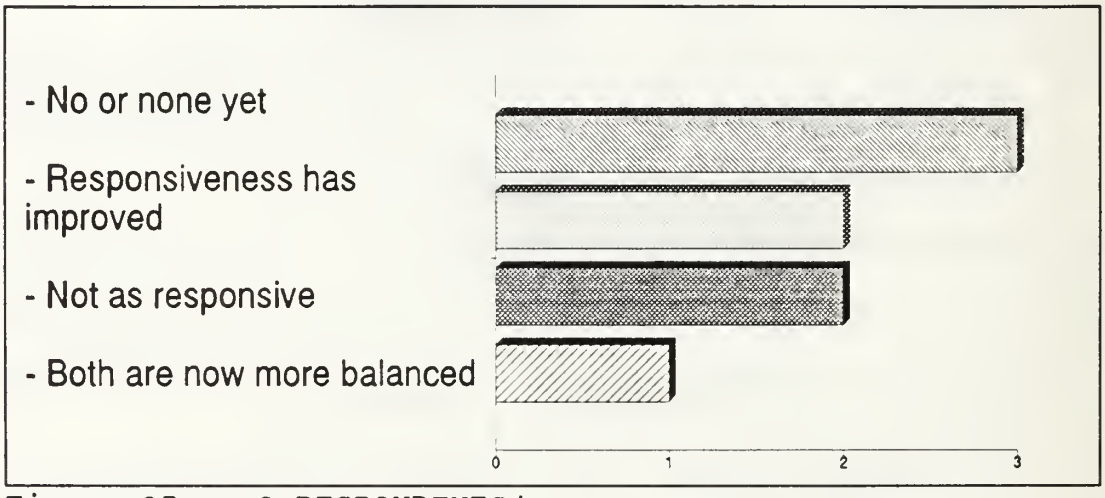

Figure 27 8 RESPONDENTS/ 8 COMMENTS

Sample responses follow:

No, don't expect any until personnel turnover.

Some, due to concern about appearances to DCMC vs meeting program needs. This is largely mitigated by personal commitment of DPRO employees who are ex-NAVPRO folks.

11. Question Eleven (b): Impacts on Program Orientation

Have you noticed any change in the amount of "program orientation" of your ACO?

a. Discussion: As with the previous question, early research indicated PCOs felt that the focus within the PRO would shift from a program orientation, to a pre-occupation with numerical management goals.

b. Results: Figure 28 graphically displays the responses to this question. Most PCOs had not observed any change in program orientation. One felt program orientation had increased, but contractual emphasis had declined.

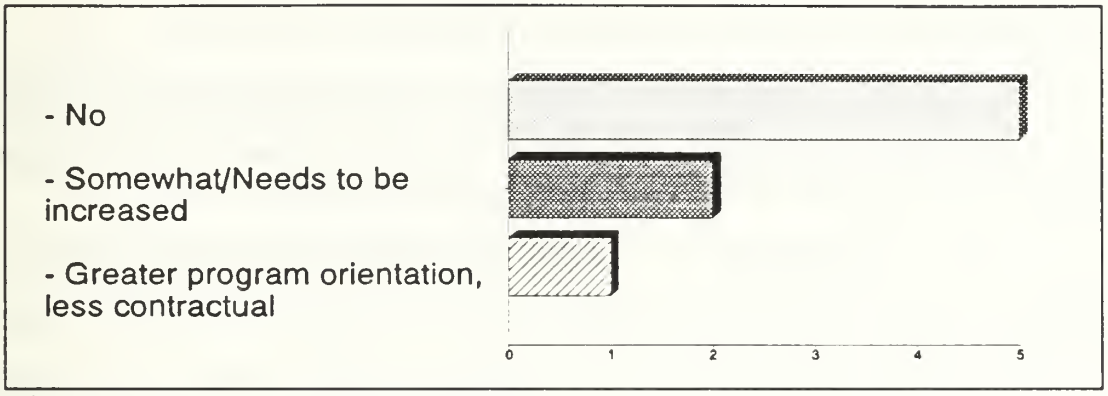

Figure 28 **8 RESPONDENTS/ 8 COMMENTS**

A sample response follows:

> No - but essentially because he didn't change when his bosses did.

11. Question Eleven (c): Impacts on Field Pricing

Has the usefulness of field pricing reports from the PRO seemed to change since the transition? If so, to what do you attribute the change?

a. Discussion: This question is based on the fact that price analysis responsibility was shifted from the PRO negotiators to a new Financial Services Division under DCMC. Early feedback from ACOs indicated this change might result in less timely pricing of proposals.

b. Results: All but one PCO had observed no change, although one noted that it was too early to tell.

The following are sample responses:

About the same, quicker turn-around though.

The usefulness of the reports, previously negligible, has not yet improved significantly. However, DPRO has acknowledged the problem and appears to be trying to institute improvements.

No change - old ways still occurring.

12. Question Twelve: Impacts on Post-Award Conferences

Have you seen any change in the number of Post-Award conferences held since the transition?

a. Discussion: Early PCO feedback indicated that increased communications, particularly in the form of Post-Award Conferences would be valuable. This question sought information as to whether there had been any change in the number of conferences.

b. Results: In all cases, PCOs said they had not seen any change in the number of Post-Award conferences since the transition.

13. Question Thirteen: Provisioned Item Ordering

Is your DPRO ACO now issuing Provisioned Item Orders and/or BOA orders for you?

a. Discussion: In the early surveys, it was revealed that the PROs were no longer issuing these types of orders. A Master Memorandum of Agreement (MMOA), signed by the Navy and DLA in November 1991 agreed to certain additional ordering delegations. This question sought to confirm whether the previous problem had been resolved.

b. Results: All PCOs with ordering requirements reported that the DPRO was placing orders for them. There

were two caveats, however, as shown in the following sample responses:

> Yes, though only those that were NAVPROs - others still refuse to issue orders.

> Only if unpriced. This area needs to be improved.

14. Question Fourteen: Reactions from Program Offices

Have you observed any reaction from your program office to changes in your PRO relationship?

a. Discussion: This question sought information as to whether PCOs had heard any reactions from their customers - the Program Managers, regarding the success of the DCMC takeover.

b. Results: As shown graphically in Figure 29, most PCOs had not observed any program office reaction to the Navy/PRO relationship.

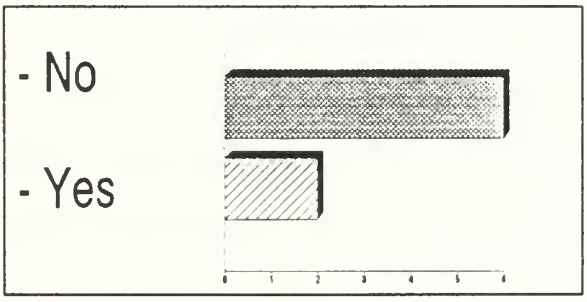

Figure 29
8 RESPONDENTS/
8 COMMENTS

Sample responses follow:

> None, except in understanding how Tech representatives fit into the picture.

> More concern over DPRO's willingness to work with us.

Yes, they want me to make sure they feel nothing - either by:

1) getting CAO to do all as before,
2) picking up the slack in my staff, or
3) coming up with substitute contracting approach

15. Summary

The latest PCO surveys revealed several important points. These points may be categorized as factors related to three general areas of change. These include organizational structure/roles, operating guidance, and organizational priorities. These points are discussed below. The sections which follow this summary provide the results of the latest surveys of ACOs, industry and PMs, respectively.

a. Structure and Roles

Significantly, most PCOs did not list impacts from changes in roles within the PROs, other than the PIO/BOA ordering issue, which was since resolved. This was also reflected by the fact that most PCOs perceived no change in the usefulness of field pricing reports, despite the role changes which have occurred in the Price Analysis area. As one PCO commented, however, the negligible impact of role changes on PCOs may be attributable to the fact that former NAVPRO personnel, with loyalties to NAVAIR, are still in place. It may also reflect a lack of awareness by PCOs of the dramatic role changes that have occurred within the PROs.

This was somewhat obvious in one PCO's comment which stated:

> Roles are essentially the same. Under DCMC support provided is more within a rigid criteria., i.e., less flexible than DPRO...

Similarly, most PCOs perceived very few, or no changes in NAVAIR/DPRO interactions since the beginning of the consolidation. This may also be due to the fact that many PCOs are interacting with the same personnel within the DPRO as they did prior to the consolidation.

Another interesting finding was the fact that several PCOs reported that MOUs were being drafted between PCOs or PMs and ACOs. This contrasted with early survey findings which revealed the existence of virtually no MOUs.

b. Operating Guidance

Several PCOs perceived no difference between the Contract Administration methods employed by the DPROs and the former NAVPROs. Significantly, those who did perceive differences in methods regarded DCMC methods as more established, versus the ad hoc methods employed by the former NAVPROs. Several PCOs also noted no impact from the methods used by the DPROs.

Another significant finding was that several PCOs felt that industry would probably benefit from the "One Face to Industry" concept, whereby DCMC would provide uniformity of rules and procedures for industry to comply with.

It was interesting to note that one PCO mentioned systems reviews as a function performed better by the former NAVPROs. This same point had been raised previously by an individual within NAVAIR's management structure.

It was also considered significant that no PCOs were familiar with the DCMC "Best Practices" program.

c. Organizational Priorities

A significant finding in this area was that some PCOs felt that DPRO support was constrained by the fact that pleasing an organization other that the Navy customer (i.e. DCMC) is a now a PRO priority. One PCO stated:

> ...DPRO priorities are far more likely to cause them to decide in favor of solutions which make fewer waves in DCMC management VS one which will best serve the Navy's need...

It was also considered significant that several PCOs recommended that DCMC take certain actions toward improving customer support.

E. LATEST ADMINISTRATIVE CONTRACTING OFFICER SURVEY

1. Question One: Impacts on Customer Support

What impacts (positive and negative) are DCMC's Contract Administration methods (as opposed to NAVPRO methods) having on your ability to support your Navy customer and on Industry?

a. Discussion: Question one was designed to obtain ACO opinions as to how DCMC Contract Administration methods had impacted their abilities to support Navy customers. The question also sought ACO opinions regarding possible impacts of DCMC methods on industry.

b. Results: Positive and negative responses were received, and are displayed separately below. There were approximately the same number of positive comments as negative.

1. Positive: The positive feedback is graphically displayed in Figure 30. The most common of the positive opinions regarding DCMC methods were from ACOs who preferred DCMC's established, structured approach to Contract Administration. Several ACOs felt that the DLA regulations and manuals provided more practical, definitive guidelines. The second most frequent type of response was related to MOCAS enhancements of Contract Administration through automation. Some ACOs felt that there is better Payment Office organization and better service under the consolidated Defense Finance and Accounting Service (DFAS) office. Others noticed less pressure from customers and less crisis management within DCMC, partially due to the first-in first-out work scheduling

practiced by DCMC. One ACO considered DCMC more "business-like" with contractors, while another perceived no impact of DCMC's methods on the ability to support customers.

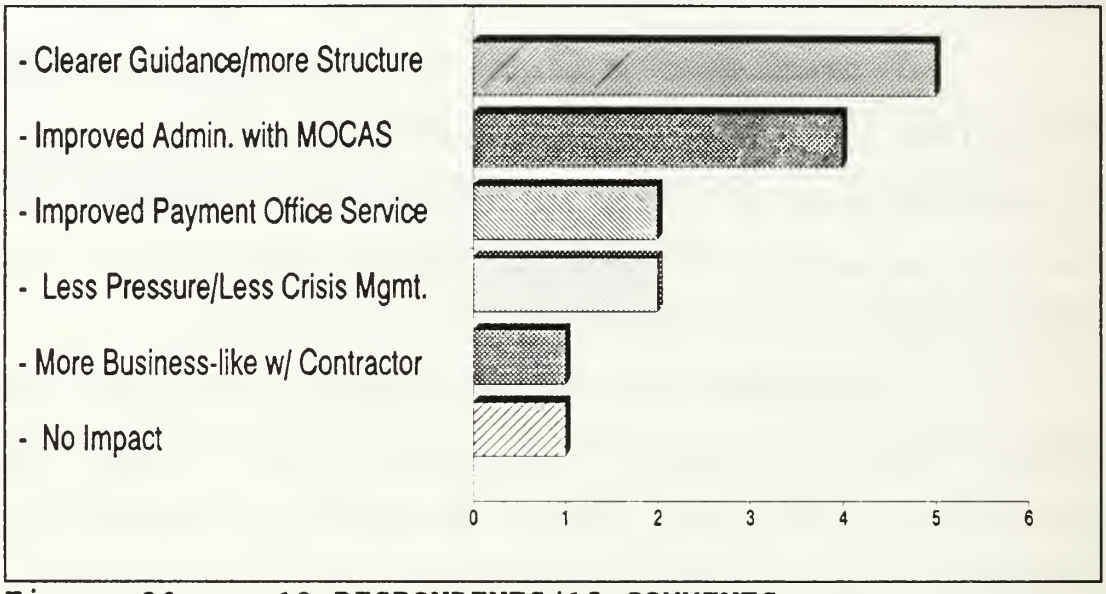

Figure 30 13 RESPONDENTS/15 COMMENTS

Sample responses follow:

Clearer, more definitive guidance is provided in the DLA manuals and regulations.

DCMC Contract Administration more defined and better structured than NAVPRO methods. Methods used by NAVPRO sometimes appeared to be created as a result of a particular issue appearing for a first time as opposed to having a method already in place.

Once contracts are put into the "MOCAS" system, some actions which were manual (i.e. progress payments) can be automated.

...With the various NAVAIR PMA shops operating independently of each other and, indeed, in actual competition with each other for the limited time and personnel assets of Contracts Division, we were forced to scatter proposal negotiations around the Division rather than allowing a specific ACO Team to handle the work of a single PMA Shop/Aircraft Type...DLA has instructed us to:

(a) Do work on a first in-first out (vice crisis management) basis,
(b) accept no proposal packages with expired pricing, and
(c) structure the ACO Teams so that they work on specific aircraft types, with a known workload schedule. This is, in my opinion, a very good thing, although it requires more planning and overall coordination on the part of the customers than before.

...More business-like way of dealing with the contractor (i.e. complete adherence to the contract terms, consideration ($ or services) for waivers/deviations, etc.), less pressure from the customer to bend the rules.

2. Negative: The negative feedback is graphically displayed in Figure 31. The largest category of

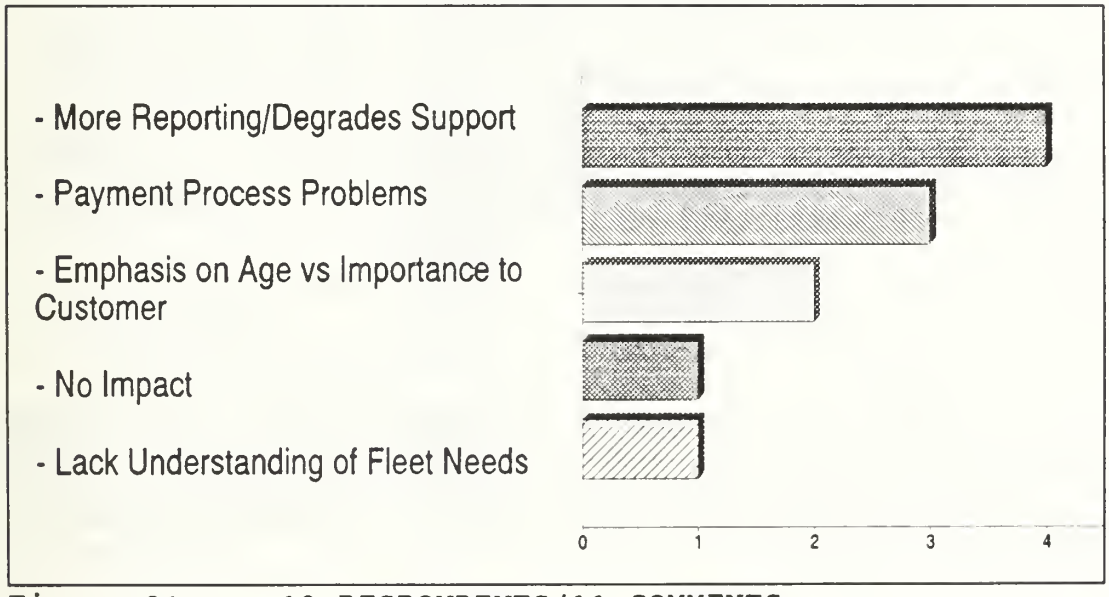

Figure 31 13 RESPONDENTS/11 COMMENTS

negative responses were concerned with a heavy increase in reporting requirements, including MOCAS maintenance. Some ACOs felt that the time spent on reporting impinged on the support they provide to their Navy customer. Some commented that the new payment process was slower and more difficult than the previous system. Others felt that DCMC was

inflexible, placing all emphasis on the age of actions, rather than the importance of that action to the Navy customer. One ACO saw no negative impact of DCMC methods on customer support. Another felt that DCMC lacks understanding of Fleet needs and the complexities of the aircraft industry.

Sample responses follow:

> Increased paperwork and reporting requirements take more time away from the support I can provide to my program.
>
> MOCAS requires too many data bits to be entered into mainframe.
>
> The payment process has been slowed. It takes longer for a DLA payment office to process an invoice than their Air Force/Navy counterparts.
>
> Extreme difficulties in getting contractor paid for delivered goods.
>
> The elimination of on-site paying office makes contractor payment more cumbersome. Resolving payment problems is now difficult and time consuming.
>
> "Do it our way 100% or else" attitude from DLA...

2. **Question Two: Key Differences in Priorities**

What do you perceive as the key differences between the organizational priorities which existed when your office was a NAVPRO versus the priorities now emphasized as a DPRO? What impact are the differing priorities likely to have on your Navy customer?

a. Discussion: In the early surveys, ACOs identified some of the apparent DCMC organizational priorities such as MOCAS maintenance. This question was designed to elicit any further opinions on differing organizational priorities that may have evolved since the earlier surveys. This question also attempts to have the ACOs assess what impact these differences may have on the Navy customer.

b. Results: Figure 32 provides a graphic illustration of the responses to this question.

In the most common responses, ACOs listed DCMC's emphasis on work scheduling on a first-in first out (FIFO) basis, and, quantities of actions taking precedence over dollar value as the key differences between NAVPRO and DPRO priorities. In the cases where impacts were opined, it was felt that these priorities could conflict with Navy priorities and could have adverse effects on the contractor's cash flow.

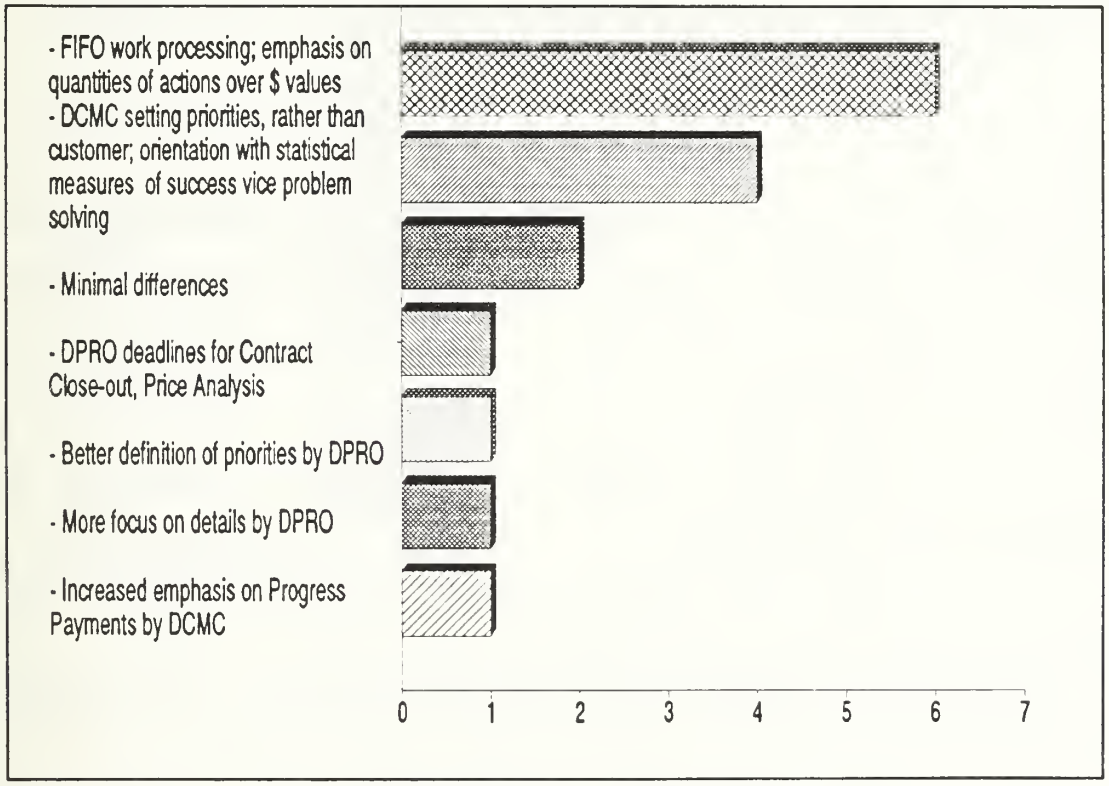
- FIFO work processing; emphasis on quantities of actions over $ values
- DCMC setting priorities, rather than customer; orientation with statistical measures of success vice problem solving
- Minimal differences
- DPRO deadlines for Contract Close-out, Price Analysis
- Better definition of priorities by DPRO
- More focus on details by DPRO
- Increased emphasis on Progress Payments by DCMC
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Figure 32 13 RESPONDENTS/16 RESPONSES

The next largest category rated the fact that DCMC places more emphasis on meeting statistical "bogies" over solving customer problems. This category also includes the observation that, as a NAVPRO, organizational priorities were

set by the Navy customer, whereas now, it is the DCMC District Office which sets priorities. This results in difficult ACO decisions between satisfying the customer versus the District Office. Some felt that DPRO priorities are better defined than were those of the NAVPRO, resulting in better service to the Navy. Some also saw the Navy receiving better service due to an increased focus by DCMC on details.

3. Question Three: Key Differences in Roles

What are the key differences in the roles and responsibilities for you and your ACO team members since the transition from NAVPRO to DPRO?

a. Discussion: Question three was designed to obtain further information on the role changes being experienced by ACOs, and what ACOs felt were the most significant changes. The types of duties emphasized should have a significant bearing on the support realized by customers of the DPRO.

b. Results: Figure 33 graphically displays the results of this question.

The role change mentioned most frequently was the fact that many of the personnel who formerly did primarily Contract Administration now have been warranted and given more responsibilities. They are now responsible for definitizing undefinitized contractual actions (UCAs). This was previously a responsibility of personnel which the NAVPROs called "Pricers".

Similarly, the second most mentioned role change is that some of the NAVPRO personnel who formerly did Price Analysis and negotiated UCAs have been moved into a new branch under DCMC. The new branch is called Financial Services, does Price and Cost Analysis, but does no negotiating. Others noted that their role has become more administrative, involving the use of MOCAS in efforts to close-out contracts.

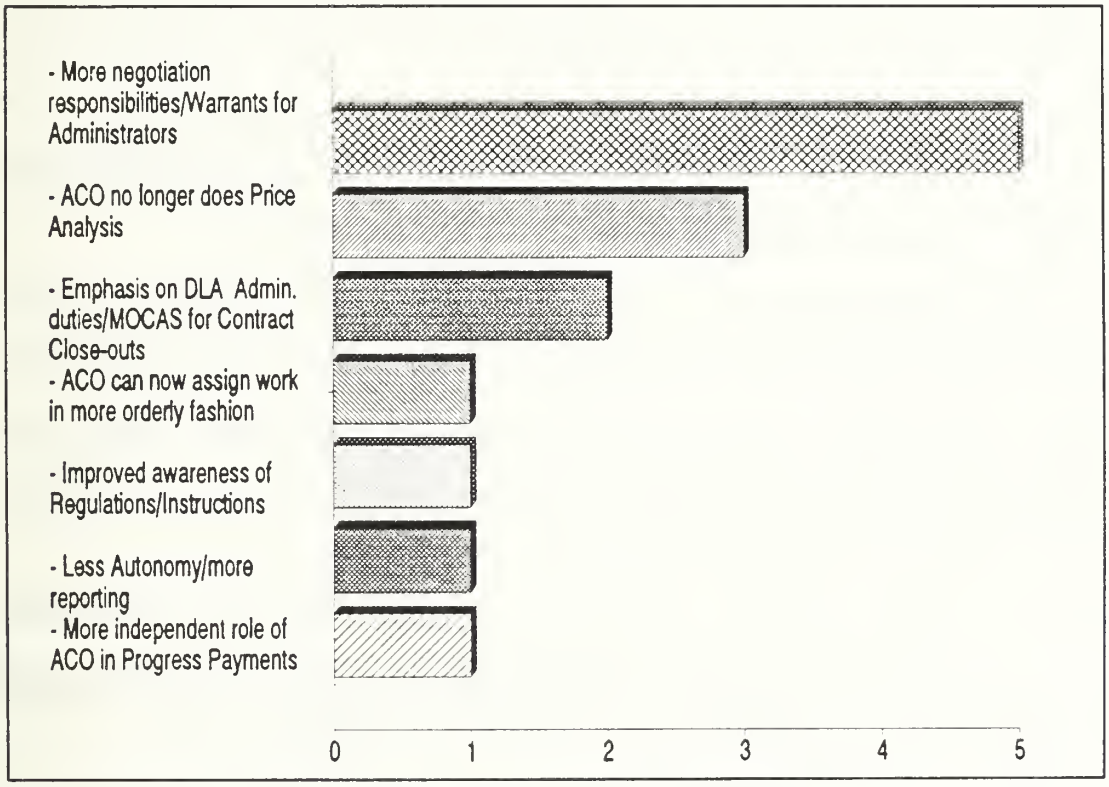
- More negotiation responsibilities/Warrants for Administrators
- ACO no longer does Price Analysis
- Emphasis on DLA Admin. duties/MOCAS for Contract Close-outs
- ACO can now assign work in more orderly fashion
- Improved awareness of Regulations/Instructions
- Less Autonomy/more reporting
- More independent role of ACO in Progress Payments
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Figure 33 13 RESPONDENTS/14 COMMENTS

The following are sample responses:

One of the biggest changes was that, under NAVAIR "ownership", the price analysts in the Financial Services Branch of the Contracts Division did the actual negotiations, and the ACO Teams just wrote the modifications and fine-tuned the paperwork; under the DLA System price analysts only do financial reviews/pricing reports. This change left us with ACOs/Contract Administrators who were suddenly expected to negotiate

proposals when they had no previous experience doing so. The learning curve involved was painful to behold.

The transition has meant that ACO teams were formulated and everyone is learning a new job with larger responsibilities (for those who become ACOs especially) with no increase in pay.

...The ACO was given many new duties and responsibilities with none of the contracts reassigned. The workload is staggering.

The key difference is that I am now under DLA a warranted Contracting Officer, allowed to exercise the duties in accordance with FAR 42.302. Working for the Navy the administrators were mere figureheads with no authority to really administer the contracts.

...a new and time consuming dimension has been added to existing duties. Since DCMC has many automated systems, we have spent considerable time learning the basics and are moving towards more sophisticated management use of the data bases available.

...the responsibility of all team members to become adept at using an information system (MOCAS) as a vital tool in the administration of a contract from award to close-out.

The independent role of the ACO in Progress Payment administration is reinforced under DCMC. In a NAVPRO environment, the PCO was allowed to play too significant of a part in this process.

4. Question Four: Interaction with Program Integrators

How would you characterize your interaction with your Program Integrator? Has the position of Program Integrator improved your ability to support programs?

a. Discussion: Discussions with DCMC personnel and DLA correspondence indicated that "Program Integrators" being established within DCMC and the PROs would be chartered to provide responsive program support. In early ACO surveys, the prevailing opinion was that there would be little visible impact from the institution of Program Integrators. This was primarily because it as felt that the role of Program

Integrator was simply a name change for the former Program Manager Representatives (PMRs) within the NAVPRO organizations. Question four was asked to determine whether ACO opinions regarding the value of the Program Integrator function have evolved along with the DCMC organization.

b. Results: There were a wide variety of responses to this question. Most indicated that they viewed the position of Program Integrator to be, at least in part, a name change of the previous NAVPRO PMR position. One felt that it was a name change for a role previously only played by the ACO.

The responses have been broken out into two separate graphic displays. The first displays ACO perceptions regarding the nature of ACO/Program Integrator interaction. The other displays ACO perceived impacts of the Program Integrator function on the ACO's ability to support programs.

Figure 34 graphically displays responses which commented on the nature of interactions with Program integrators. The most common response was from ACOs who noted little or no interaction with Program Integrators. Most of those who did report interaction felt the relationship was good, with a free flow of information between the ACO and Program Integrator. One indicated that more information was being provided by the Program Integrator, but by more formal means.

Figure 35 displays responses which commented on the nature of support impacts. Most who commented on support impacts found either no change, or felt the only impact was the incurrence of additional ACO reporting requirements. Some felt the Program Integrator function was an impediment, complicating the ACO's interactions with the contractor. Others mentioned the fact that Program Integrators must now provide more formal, up-to-date reports to Program Managers.

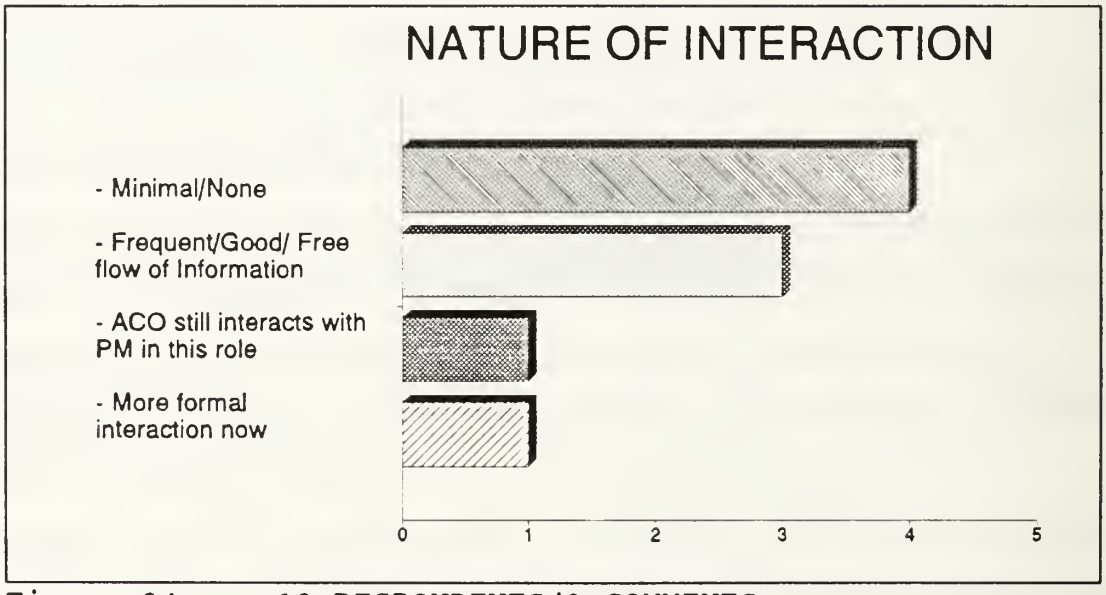

Figure 34 13 RESPONDENTS/9 COMMENTS

Sample responses follow:

Minimal interaction. We had program integrators (by another name) all along, so there has been no real change in this area.

My program integrator is still learning the job and therefore I have no interaction. The program integrator is an impediment at this juncture because he doesn't know anything about the program.

The program integrator in a sole source environment just gets in the way of the ACO when he or she is taking

contractual action. The program integrator has not done anything to improve the program.

We had Program Integrators before DCMC took over, however, the program is more formal now. There are also more formalized reporting requirements which provide more up-to-date information on the program.

There is much interaction with the Program Integrator. I am of the opinion that the Program Integrator's position is a plus as far as DPRO program support is concerned. However, it is not a new position - only a renamed one (from Program Manager Representative). PMRs have been at the AFPRO/NAVPRO since the late 1970s.

The interaction is very good. This is a free flow of information both ways which, I believe, has helped improve our service to the customer.

The position, much ballyhooed as it was, seems to exist in name only. Have yet to meet one. It has not yet detracted from our ability to provide support.

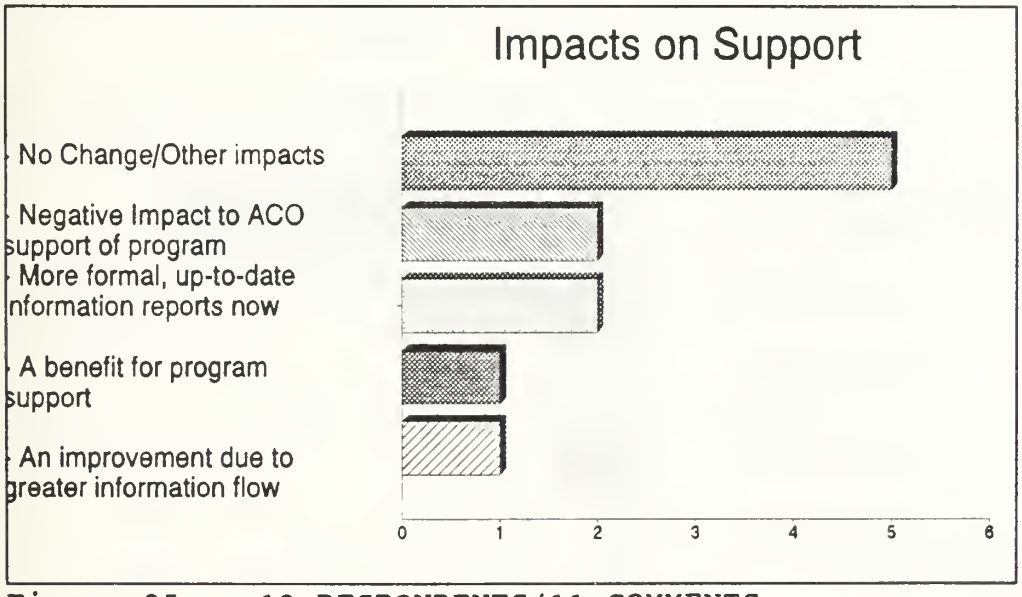

Figure 35 13 RESPONDENTS/11 COMMENTS

5. Question Five: Benefits for Industry

What benefits do you see the consolidation of Contract Administration Services having for industry?

a. Discussion: The transition is forcing industry to discontinue long-term relationships with Service PROs which

were direct links to the Service program offices. Early PCO surveys indicated contractors were concerned with backlogs resulting from the establishment of NTRDs. They were also concerned with how promptly the new organization could process invoice payments. There was one report of a contractor taking advantage of the confusion created by the transition. The designers of DCMC foresaw benefits to industry in the form of reduced oversight and uniform Government procedures. This question was intended to elicit ACO perceptions of whether these or any other benefits have been accruing to industry.

b. Results: Figure 36 graphically displays the results of this question. Most of the ACOs responding felt

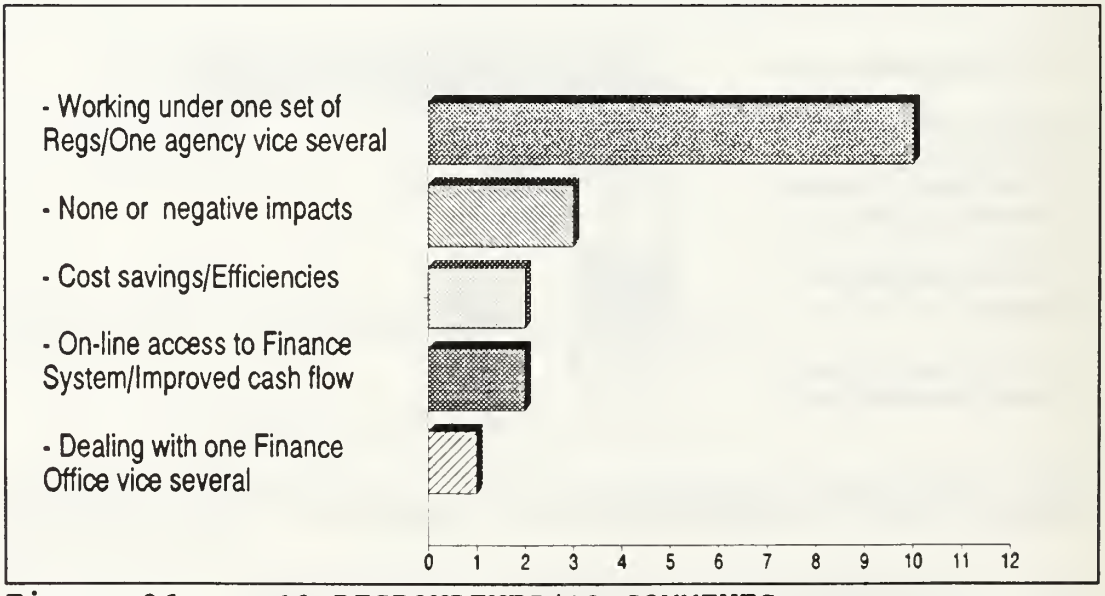
- Working under one set of Regs/One agency vice several
- None or negative impacts
- Cost savings/Efficiencies
- On-line access to Finance System/Improved cash flow
- Dealing with one Finance Office vice several
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Figure 36 13 RESPONDENTS/18 COMMENTS

that industry would benefit from the transition, due to the fact that there will only be one agency to interact with regarding Contract Administration matters, and only one set of

regulations to be concerned with. Some felt there would be no benefits, or possibly negative consequences to industry from the transition. One felt DLA would simply be an obstacle between the contractor and Navy customers. Some saw industry attaining greater efficiencies and long-term cost savings.

Sample responses follow:

> Compliance with a single set of Government requirements should reduce confusion and allow for more efficient management systems. For example, General Electric Aircraft Engines (GEAE) was monitored by an AFPRO in Ohio and a NAVPRO in Massachusetts. GEAE makes engines at both locations, yet had to satisfy different requirements. Also, major defense contractors will have more leverage when they want to advance a position by applying pressure on a single agency (DCMC). Cash flow should improve as automatic payments and electronic funds transfers are made from the central payment office at Columbus, Ohio. Also, contractors have on-line inquiry access to monitor payment status of their invoices.
>
> One centralized group of instructions and regulations which hopefully will be applied in a consistent fashion by the existing DLA regions.
>
> Not many. The contractor <u>still</u> deals closely with the customer (NAVAIR/Aviation Supply Office (ASO)/etc.) and the takeover by DLA of the former Service-PROs just adds another level of bureaucracy and paperwork.
>
> Hopefully the "One Face to Industry" concept will come about, with a common language and set of procedures to be used.

6. Question Six: Adoption of "Best Practices"

What functions were/are performed better by the NAVPRO or the DPRO organization? What previous NAVPRO practices should DCMC consider adopting?

a. Discussion: Early in the establishment of DCMC, there was considerable discussion of the "Best Practices" program. This program was to be used as a means of synthesizing the best existing Contract Administration

practices of the Service PROs and DLA into a more effective, efficient organization. This question relates to the Best Practices program in that it sought to elicit opinions from ACOs regarding the value of using certain NAVPRO practices versus DPRO practices. Information obtained through this question was used in the analysis and recommendations sections of this study.

b. Results: Most ACOs responded to this question by simply identifying one or more functions which they felt were performed better by either the previous NAVPRO organization or by the DPRO. Therefore, the results have been divided between two displays, functions performed better by NAVPROs, and those performed better by DPROs.

Figure 37 graphically displays the responses which indicated a function performed better by the NAVPRO organization. Many of these responses made strong points concerning the value of having one individual performing both the price analysis and negotiations. The reasons given included the fact that the person who performs the price analysis is most familiar with a case. It was also pointed out that the ACO teams who have overall cognizance of ongoing negotiations, could prioritize their workload better when they had control of the price analysis function. It was indicated that having the negotiators also performing the pricing results in more timely completion of negotiations.

Some felt that the NAVPRO was able to process invoices and progress payments quicker than the DPRO can. One viewed the NAVPRO reporting methods as more straightforward and less cumbersome than those practiced by DCMC. Another indicated that the Navy saved labor and time by not requiring a post-negotiation memorandum under certain conditions.

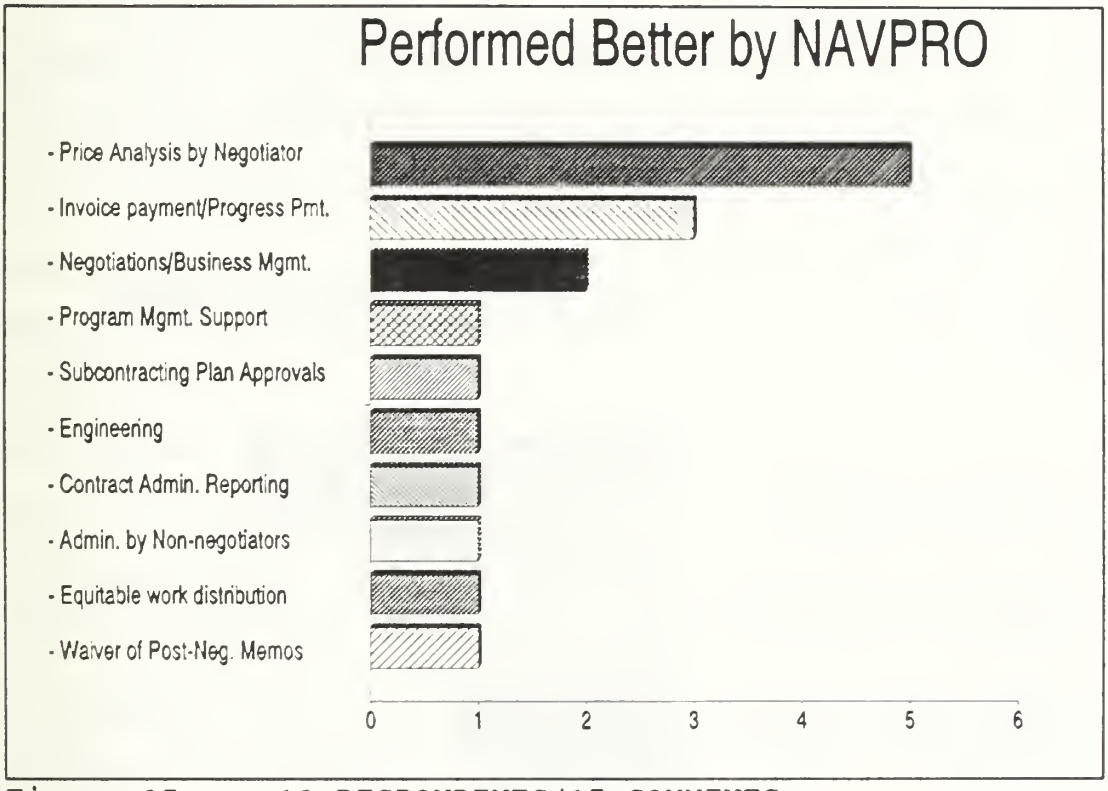

Figure 37 13 RESPONDENTS/17 COMMENTS

Sample responses follow:

The NAVPRO used to have the ACO Teams do their own price analysis. By doing this the ACO Teams could prioritize their pricing workload better. Now they have to rely on a separate branch which has many priorities. By doing their own pricing I believe the Contract Administrators were also more knowledgeable of the content of the proposal.

Price and Delivery Schedule negotiation was performed exclusively by Price Analysts under NAVPRO compared to by the Contract Administrator under DPRO. I feel the former method, for the most part, and with the right personnel would result in a more timely negotiation.

The NAVPRO paid the contractor quicker, reducing interest costs which resulted in a lower cost to the Navy.

Negotiations could be conducted more expeditiously when the personnel who priced proposals also negotiated them. Additionally, the Navy waived requirements to write a post negotiation memorandum when the pre-position was attained within 60 days. (This saves a lot of paperwork)

Figure 38 graphically displays those responses which indicated functions which are performed better by the DPROs than the former NAVPROs. The functions mentioned most

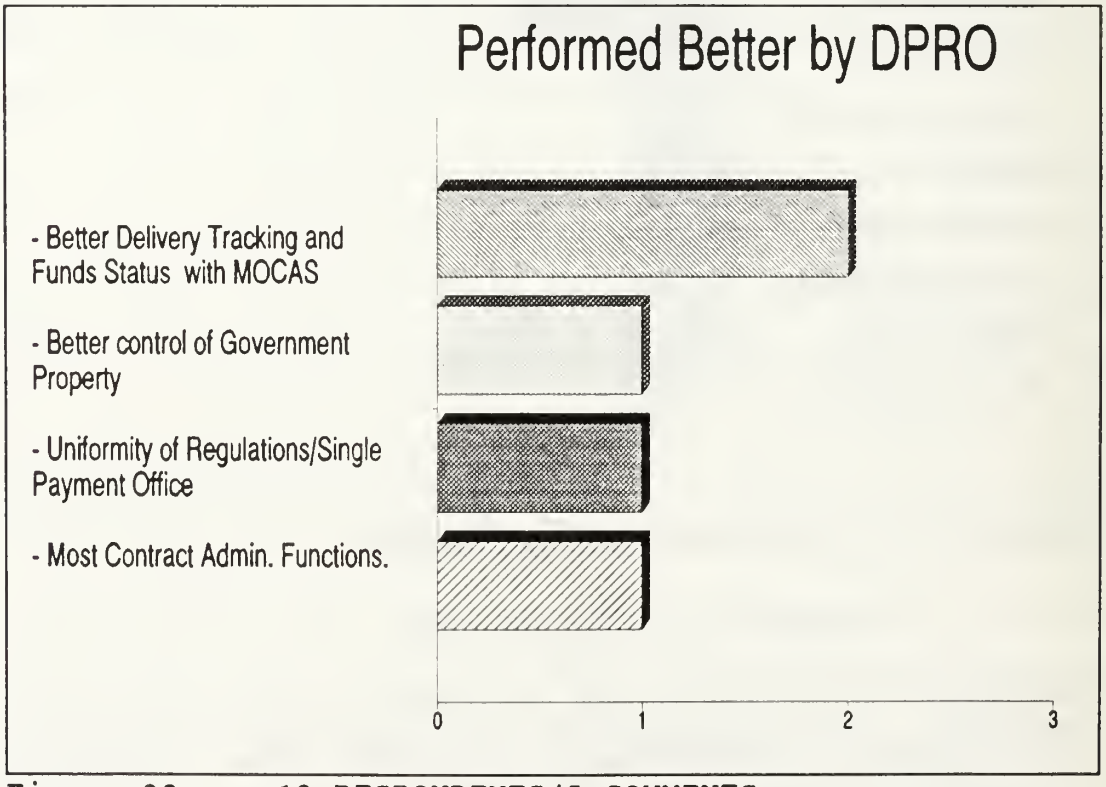

Figure 38 13 RESPONDENTS/5 COMMENTS

often as performed better by DPROs were cited as improvements in the tracking of deliverables and funds status using MOCAS.

Some ACOs also felt that the DPROs maintained better control of Government Property.

Sample responses follow:

> DLA has better control of Government Property and surveillance of contract deliverables.
>
> The introduction of MOCAS into the former NAVPRO has made us better able to track deliveries and funding on contracts, which enables customers to utilize excess funds identified.
>
> On the surface most contract administration functions appear to be better performed by the DPRO. It is still too early in the transition and I'm not sure sufficient data exists to make a judgment regarding which is better.

One response indicated that the answer to this question depends on which perspective the question is being asked from. He notes that NAVAIR and DCMC have different criteria for judging the success of the PRO organization. This response contrasts Navy and DCMC concepts of success as follows:

> Success in the eyes of the Navy: Aircraft accepted, parts produced to support Fleet requirements, fast turn-around on overhaul/repair jobs, funds obligated/expended by close of fiscal year...
> Success in the eyes of DCMC: Overage list down to DLA % goals, contract completion data inputted in a timely manner, terminations completed, MOCAS/Management Information Reports (MIR)...

7. Question Seven: Experiences with "Best Practices"

Please describe your experiences with the DCMC "Best Practices" program and your impressions of its success thus far.

a. Discussion: The Best Practices Program was frequently mentioned in DLA/DCMC correspondence concerning the consolidation of Contract Administration Services (CAS).

In describing DCMC, the new DCMC Commander stated:

> This new organization, called the Defense Contract Management Command, amalgamates the best practices and procedures of the Military Services' and DLA's Contract Administration activities. It is not an updated version of DCAS or the Air Forces's Contract Management Division or an Army or Navy equivalent; rather, it is the best of each of these. (Ref. 23, p. 1)

> Over the last six months I have issued a number of memorandums and guidance letters addressing Best Practices...Best Practices provides a structure for systematically assessing corporate-wide processes as well as processes that are locally owned...The Best Practices Program offers us a unique opportunity to reassess our traditional ways of doing business and take advantage of improved concepts of operations. (Ref. 24, p. 2)

> The Best Practices Program does not purport to define the full depth and breadth of process improvement activities in the Defense Contract Management Command (DCMC). It does provide a focus for Command directed efforts to improve those processes that directly impact our ability to optimize our external customers' satisfaction with the services and products we provide to them. (Ref. 25, p. 1)

This question was designed to determine the familiarity level of ACOs with the Best Practices Program, as well as their opinions regarding the success of the program.

b. Results: Figure 39 graphically displays the responses to this question. Most ACOs had heard of the Best Practices Program, although several had not. Most of those who had heard of the program had not seen any change from what they believed to be traditional DLA Contract Management practices.

One felt the program was being used as a way to legitimize management decisions.

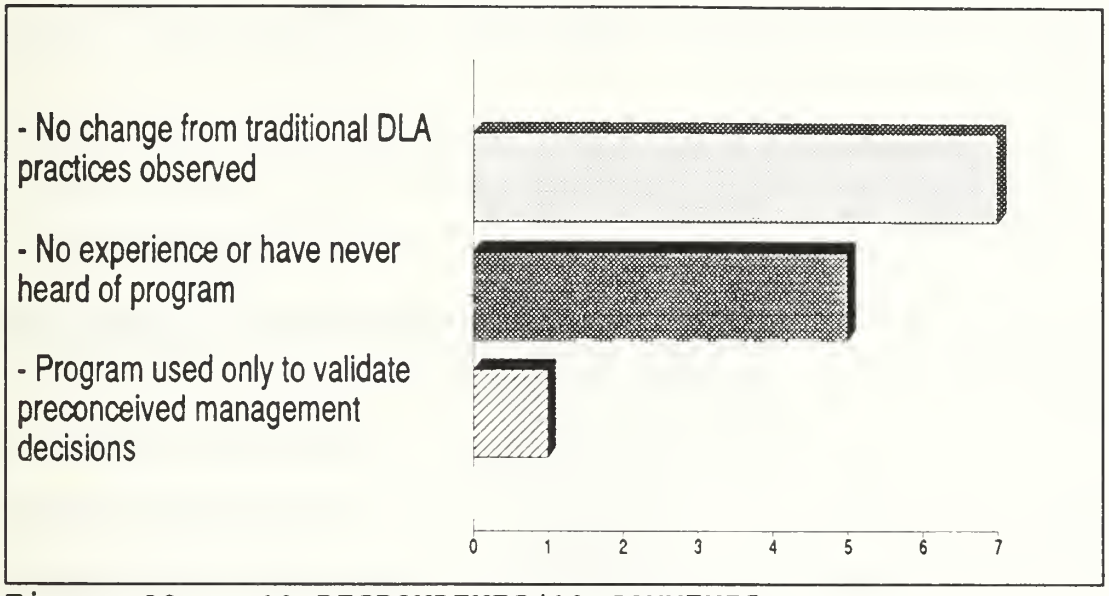

Figure 39 13 RESPONDENTS/13 COMMENTS

Some sample responses follow:

I cannot think of one example wherein "Best Practices" has been utilized. I cannot believe that anyone would consider it a "program". It was a philosophy that was never put into practice. The DLA way became the DCMC way.

The phrase "Best Practices" has turned out to be a SCAM. This is something the Services were told so the transition would be accomplished without too much struggle. In truth, DCMC is not interested in "Best Practices". We have been made over in the DLA mold with existing practices almost without exception.

No experience - we have heard of it, but have not been asked to participate.

ACOs have never heard of the program - either we're exempted or it's not much of a success.

I have no direct experience with the "Best Practices" program to date and I'm not aware of any DLA procedures that were modified as a result of adopting a "best practice".

I have not seen DCMC "Best Practices" incorporated. I understand they are in the process of being formulated, but to date we are operating under the old DLAM guidance which does not fit a DPRO in many respects.

The "Best Practices" program was a hoax. DCMC simply became DLA by another name with no concern for doing anything other than the "DLA way". "Best Practices" was lip service at best.

The Best Practices program is dysfunctional, it is used only to validate decisions management has already made.

8. Question Eight: Alignment of Objectives

What further actions should be taken to bring Navy and DCMC Contract Administration objectives into accord, while keeping customer support in sharp focus?

a. Discussion: This question was following up on feedback from early surveys which indicated that one of the primary differences between the Navy and DCMC approaches to Contract Administration was in the area of objectives. For example, the Navy had given higher priority to objectives such as reducing overall dollar values of UCAs, while DCMC was more concerned with the quantities of UCAs definitized. Assuming the Navy had good reasons for the objectives it had established for the NAVPROs, any general deviation from these objectives by DCMC could be expected to run counter to NAVAIR interests. DCMC management has often stated that support of PM and PCO customers is paramount, being in fact the purpose of the DCMC organization. The researcher felt that working level ACOs would be in the best position, as owners of the process, to recommend further improvements toward simultaneously satisfying customer and DCMC objectives.

b. Results: ACO responses to this question are graphically displayed in Figure 40.

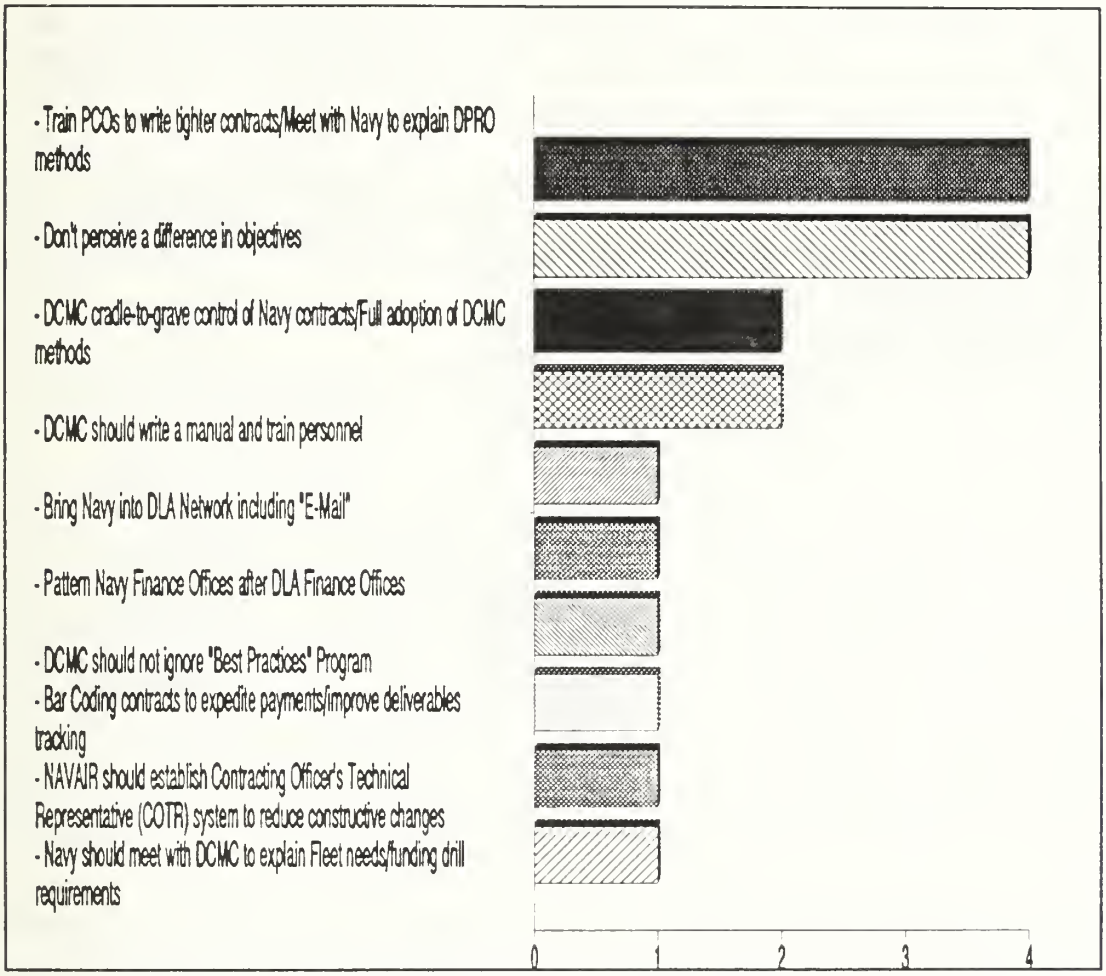
- Train PCOs to write tighter contracts/Meet with Navy to explain DPRO methods
- Don't perceive a difference in objectives
- DCMC cradle-to-grave control of Navy contracts/Full adoption of DCMC methods
- DCMC should write a manual and train personnel
- Bring Navy into DLA Network including "E-Mail"
- Pattern Navy Finance Offices after DLA Finance Offices
- DCMC should not ignore "Best Practices" Program
- Bar Coding contracts to expedite payments/improve deliverables tracking
- NAVAIR should establish Contracting Officer's Technical Representative (COTR) system to reduce constructive changes
- Navy should meet with DCMC to explain Fleet needs/funding drill requirements
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Figure 40 13 RESPONDENTS/18 COMMENTS

As Figure 40 shows, there were a wide variety of responses to this question. Most felt there were improvements possible in this area. The largest number of similar recommendations involved educating PCOs on how to format a contract before delegating it to the DPRO for administration. Along those same lines, one suggested meeting with Navy personnel to explain DPRO methods.

There were several ACOs who felt Navy/DCMC objectives were already in agreement.

Sample responses follow:

> Continual emphasis of the need for DPRO Contracting to be performed in accordance with all established guidelines and educating Navy Contract Administration in the DPRO way of Contract Administration.
>
> I would hope there is continuous dialogue between the Navy and DCMC on contract administration issues. Perhaps, quarterly or semi-annual conferences between the two organizations would serve to foster open communication.
>
> No further actions are required to bring Navy and DCMC objectives into accord. Both are basically customer oriented.
>
> This is very difficult to answer because I do not understand the DCMC objectives at the working man's level. Their strategic plan sounds very similar to the Navy's strategic plan at the macro level. No one has translated these "broad" concepts into why I have been directed to do my job differently. Also, each day we are told to change operating instructions to fit DCMC direction. DCMC is too nebulous right now to pin down. The Navy had well organized instructions about how to do the job. Where are the DCMC instructions? Actions: Write a manual and train the people!
>
> DCMC must understand that by ignoring the "Best Practices" Program and insisting that the former Service PROs adopt the old DCAS way of doing business that things will not get better. They will only be different.

9. Question Nine: Suggestions to Enhance Relationships

What can be done to improve the relationship between the Navy and DCMC Contract Management organizations?

a. Discussion: This question is similar to number eight, but rather than focusing on synchronizing objectives, it was intended to elicit views on whether improvements in attitudes between the Navy and DCMC might affect the success of the transition.

b. Results: Figure 41 graphically displays the responses to this question. Many respondents felt Navy personnel need to be trained to integrate DLA regulations and MOCAS into the contracts they write. They also felt it was

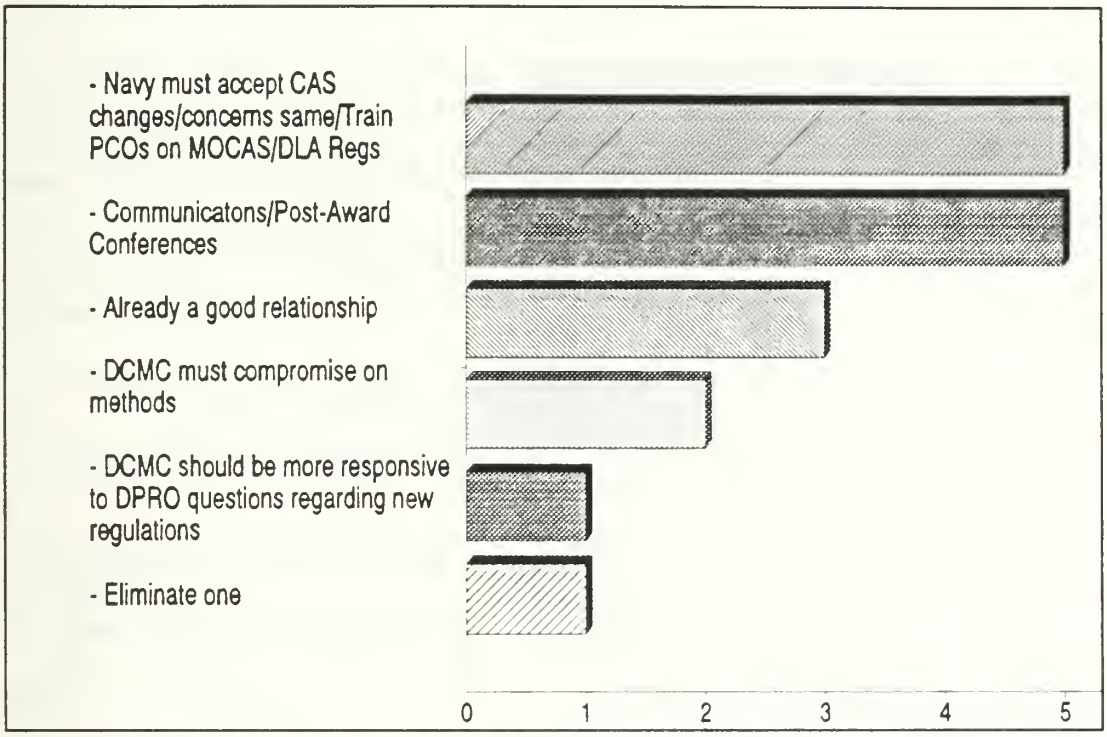

Figure 41 13 RESPONDENTS/17 COMMENTS

time for the Navy to accept the fact that major changes in CAS have occurred, and to realize that Navy/DCMC CAS concerns are the same. The most common response suggested enhancements to communication as the key to a good relationship. Several felt the relationship was already good, with both parties interested in customer support.

Sample responses follow:

> DCMC must be willing to compromise and stop insisting that everything be done their way because "that's how we've always done it.

The Navy also must accept the fact that localized Contract Administration has changed drastically.

The Navy must craft contracts cognizant of MOCAS requirements. And DLA must loosen up its elaborate administrative procedures.

Earlier dialogue between the two in the post-award stage of major programs, in order to highlight customer needs/expectations and CAO interpretations/requirements.

As in the previous question, communication is the key. The customers view the new DLA ownership as a "hostile takeover" and haven't fully gotten on board yet with how to deal with the changes. DCMC frankly views its new former-Service PROs as wayward children who need to be weaned from the bad management/admin practices of their former masters. The DPRO ends up caught in the middle between the new boss and the old boss - who also happens to be the customer.

10. Question Ten: Further Recommendations

Please give any other recommendations related to enhancing the success of the transition.

a. Discussion: This question was intended to elicit specific recommendations from process owners for improving the success of the transition. This question allowed ACOs to make recommendations which they may not have had the opportunity to mention in responding to the previous questions.

b. Results: Figure 42 graphically displays the responses to this question. Most ACOs provided specific recommendations, however, the largest response category was from those who had no further input. The next largest group felt more indoctrination was needed into the DLA way of conducting business.

One suggested ACO visits to DLA PROs which existed prior to the transition (DCASPROs) to see how they operate. Some noted that MOCAS training was needed.

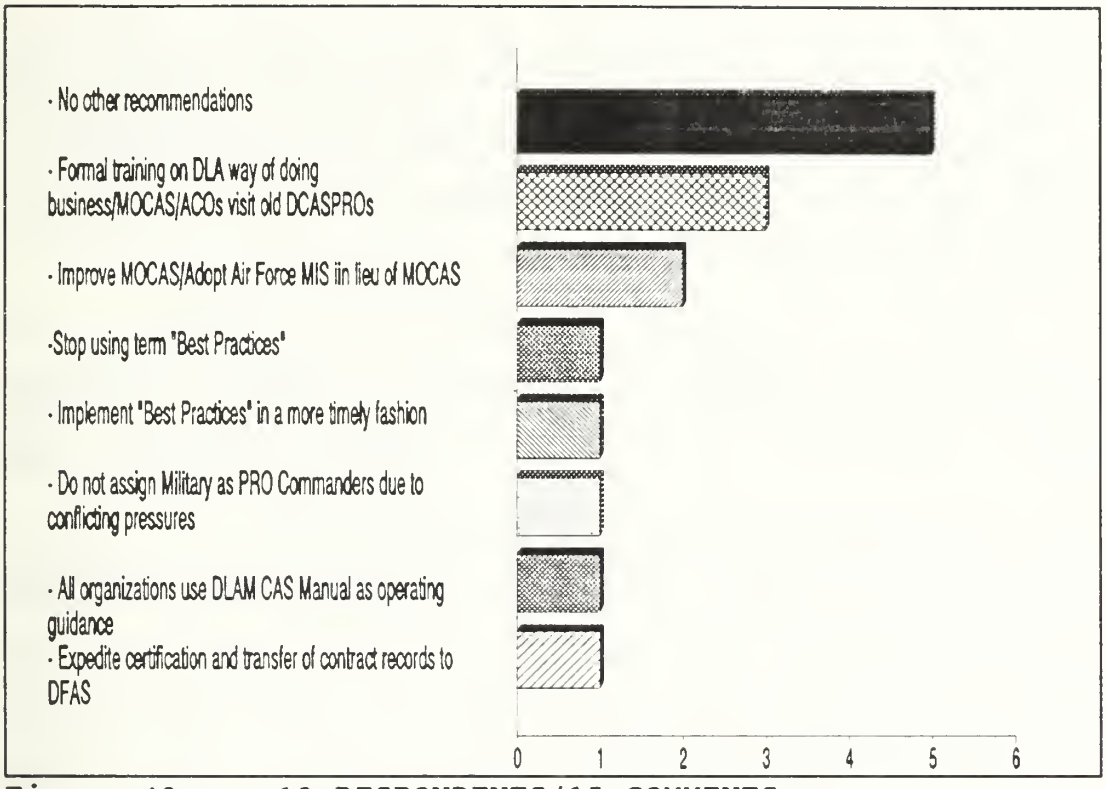
- No other recommendations
- Formal training on DLA way of doing business/MOCAS/ACOs visit old DCASPROs
- Improve MOCAS/Adopt Air Force MIS iin lieu of MOCAS
-Stop using term "Best Practices"
- Implement "Best Practices" in a more timely fashion
- Do not assign Military as PRO Commanders due to conflicting pressures
- All organizations use DLAM CAS Manual as operating guidance
- Expedite certification and transfer of contract records to DFAS
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Figure 42 13 RESPONDENTS/15 COMMENTS

Sample responses follow:

I can think of none. I think time itself will help the transition - as people accept the DLA organization.

Conventional wisdom has it that the entire way the transition was handled was screwed up from the get-go. A magic wand was waved and the Service PROs were transformed into DPROs - only trouble is that the magic wand didn't provide adequate training on how to do DLA's reports, do business the DLA way, etc. A good example is MOCAS - which is a joke here at DPRO Sikorsky, as formal training on the system has been almost non-existent and we don't have the computer capability to deal with it. The magic wand didn't help us get more people to do the job (i.e., the normal workload plus all the new DLA reporting requirements) - we were simply told that if we

did our work the DLA - way we would be working smarter/more efficiently and wouldn't, therefore, need additional personnel. Civilian personnel had to be moved from one billet to another in order to fit the DLA organization model as to who could do what, in the GS rating, etc...And on and on. There has been a lot of bitterness here at DPRO Sikorsky with all this, and morale is rock-bottom.

I would like to see implementation of "Best Practices" in a more timely fashion. We have been under DCMC cognizance for approximately 1 1/2 years and continue to operate under existing DLA guidance.
The MOCAS system is cumbersome. DCMC should consider adopting the Air Force AMIS database which is easier to use and much more versatile.

Update the MOCAS system making it user friendly.

Too much has happened too quickly. People identified with the Navy; there is no identity to DCMC. To make this transition successful, please consider the following:

(1) Do not use the terms "best practices".
(2) Explain what guiding procedures DCMC uses besides FAR, DFAR, and DLAM - make sure personnel are trained in their use.
(3) Allow workers (not managers) to visit PROs who have functioned under the DLA system and learn from their experience.
(4) Do not make Commanders in the military, heads of PRO offices - they are under tremendous pressure to be responsive to the military for their career yet they also have to answer to the District for priorities.

11. Summary

The latest ACO surveys revealed several important points. One point considered very significant was that a surprising number of ACOs were not familiar with the DCMC "Best Practices" program. Significantly, most of the ACOs who were familiar with the program had not seen any change from what they believed to be traditional DLA management practices.

The remaining points may be categorized as factors related to five general areas of change. These include organizational structure/roles, operating guidance, reporting requirements, MIS/Control systems, and organizational priorities. These points are discussed below. The sections which follow this summary provide the results of the surveys of industry and PMs, respectively.

a. Structure and Roles

The role changes cited as most significant by ACOs included the issuing of warrants and negotiation authority to many more personnel, and, the fact that a new Financial Services Branch had been established to perform price analysis functions. Several indicated frustration and confusion had resulted from the new distribution of responsibilities. Some also made strong points concerning the value of having one individual performing both the price analysis and negotiation functions.

Surprisingly, several ACOs reported little interaction with Program Integrators. Most who commented on the support impacts of the Program Integrator position noted either no change, or felt the only impact was the incurrence of additional reporting requirements.

Another interesting finding was that several ACOs felt it would be useful to train PCOs on how to format a contract before delegating it to the DPRO for administration.

b. Operating Guidance

Significantly, several ACOs listed DCMC's structured, well defined guidance as positive changes. They felt that whereas the NAVPRO often handled problems on an ad hoc basis, the DCMC manuals provided them with ready guidance. It was not clear, however, what positive impacts the structured DCMC methods would have for Navy customers. Some were pleased that they were under less pressure from customers, and were better able to organize their own workload.

ACOs reflected similar attitudes regarding the possible benefits of CAS consolidation to industry. The largest common ACO response indicated that the "One Face to Industry" concept would most benefit industry.

c. Reporting Requirements

Several ACOs expressed negative opinions regarding the impacts of DCMC reporting requirements on customers. Some indicated that reporting requirements and MOCAS maintenance were impinging on the time available to support customers.

d. MIS/Control Systems

Some ACOs commented on difficulties and delays in contractor payments under the DCMC payment system. Significantly, this problem was noted in the latest PCO responses as well.

While some ACOs felt MOCAS maintenance to be burdensome, other ACOs praised the ability of the system to track deliverables and funds status.

e. Organizational Priorities

The most common ACO opinion regarding differences in NAVPRO and DPRO organizational priorities referred to workload sequencing. ACOs cited the fact that the DCMC emphasis is on quantities of actions process, rather than dollar values as the Navy had emphasized. They also pointed out DCMC's emphasis on first-in, first-out work sequencing. Several ACOs also felt that DCMC places more emphasis on meeting statistical goals than on solving customer problems.

Many ACOs felt it was time for the Navy to accept the fact that major changes in CAS have occurred, and to realize that Navy/DCMC concerns are the same. These ACOs suggested that the Navy begin training PCOs on writing contracts in conformance with DLA regulations and MOCAS requirements.

F. INDUSTRY SURVEY

All of the questions in this section relate to the subsidiary research question: "What impacts are DCMC's methods of Contract Administration having on their Navy customers and Industry?".

1. Question One: Primary Concerns

What are your company's primary concerns regarding the change of your in-plant NAVPRO to a DPRO? Please explain.

a. Discussion: The transition from Navy to DCMC Contract Administration carries the potential for concern on the part of industry. They no longer have an arm of the Navy customer within the plant. The company must now work through an intermediary, with possibly less programmatic interest than the NAVPRO had. This question was designed to elicit contractor concerns regarding the new situation.

b. Results: The results of this question are listed below. Each item listed was expressed only once as a concern, with the exception of the first item, which was reported twice:

PRIMARY CONCERNS

- Negotiation delays due to DPRO reporting requirements and other added wickets.
- The DLA Review Board critique of all negotiated settlements could result in the overturning of the ACO negotiated settlements.
- Less PRO flexibility in working problems/Less ACO latitude
- Transition delays

- Communications between DPRO/NAVAIR now that they are more distinct and separate organizations

- Lack of familiarity with DLA

- Impact of reorganization on ongoing work

- Confusion over greatly increased number of ACOs

- Concern over future rotation of DPRO Commander to a Service other than the Navy

- DPRO attitude about getting procurement business accomplished

- What effect the lack of knowledge of DPRO procedures by former NAVPRO personnel will have on business

- Whether ground rules/priorities will be different with DPRO

The following are sample responses:

Will DPRO be as concerned about "getting procurement business" accomplished as NAVPRO was?

Will the "ground rules" be different under DPRO? Priorities?

Seems to be more rigid; less flexibility in working problems. ACOs have indicated they have less latitude on matters such as pricing analysis requirements or de-obligating funds.

Our concern is that the DPRO's increasing reporting requirements, as well as additional "wickets" to go through to get things done, will take away from precious time needed for negotiations and other contract actions.

Our primary concern is that increased administrative duties of the DPRO have affected negotiation timeliness.

In general, we believe this change will have a positive impact on all programs. While no particular examples are given, we anticipate more consistent policies through DLA/DPRO due to less agency related policies and priorities. On the other hand, the DLA Review Board critique of all negotiated settlements could result in the overturning of the ACO negotiated settlements.

...ACOs have indicated they have less latitude on matters such as pricing analysis requirements or de-obligating funds.

Concerns dealt mainly with the potential impact to our on-going work. The NAVPRO at Grumman was organized into six divisions... The reorganization of these six groups into three, impacted work flow and disrupted points of contacts. There also were only four or five ACOs that our contracts departments had to interface with concerning the signature of contractual documents and now its increased to over sixteen. This caused confusion as to who was responsible and what were their limits. The reorganization also set the stage for the elimination of the local disbursement office. The conduct of normal business was temporarily disrupted but has improved since the reorganization one year ago.

2. **Question Two: Effectiveness of Mechanized System**

DCMC has incorporated the MOCAS (Mechanization of Contract Administration Services) to administer contracts with your company. Under MOCAS, progress payments are paid automatically by the payment office. Is this a better system? Is payment more timely? What improvements could be made in this area?

a. Discussion: Early feedback from ACOs had indicated contractors were concerned about DCMC capabilities in handling progress payment billings. This question sought to establish whether contractors were familiar with MOCAS, and, what their opinions are concerning the effectiveness of the system.

b. Results: The responses to this question are graphically displayed in Figure 43. Many contractor responses indicated significant delays had been experienced in invoice payments since the transition to MOCAS payments. Several cited the necessity for extremely accurate data in order for prompt payment to occur. Others noted that if MOCAS was to be useful, it would require intensive labor within the DPRO. No

specific improvement recommendations were made, other than stating that MOCAS would only be as good as the inputs made to it by the DPRO personnel.

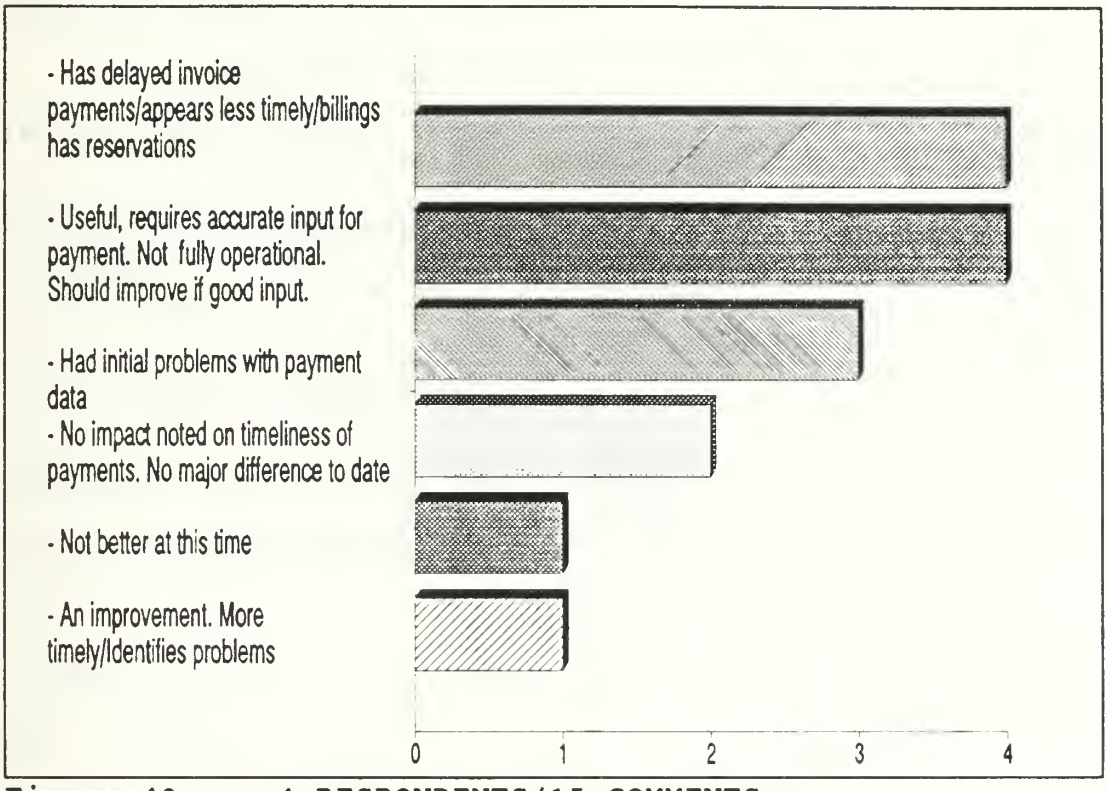
- Has delayed invoice payments/appears less timely/billings has reservations
- Useful, requires accurate input for payment. Not fully operational. Should improve if good input.
- Had initial problems with payment data
- No impact noted on timeliness of payments. No major difference to date
- Not better at this time
- An improvement. More timely/Identifies problems
0
1
2
3
4

Figure 43 4 RESPONDENTS/15 COMMENTS

Sample responses follow:

...prior to MOCAS, Grumman received most of its payments from the NAVPRO disbursement office...With MOCAS at Boston and the lower level of detail required by MOCAS, Grumman has been impacted. Numerous contractual documents had to be modified so that they would be "MOCAS COMPATIBLE"...
...Grumman is experiencing significant delays in payments with average payment increasing from two days to a current two weeks...

...Invoice payment prior to MOCAS implementation averaged 10-20 days, after implementation, the average was 80-100 days. Recently, a meeting between MCAIR and the Government resulted in an agreement for payment in 27-30 days.

Payments are being made in a more timely manner. New system allows on-line inquiry of invoice status...

MOCAS at this point is not an improvement. Only a limited amount of MCAIR deliverables have been loaded into MOCAS and that data has been found to be only 45% accurate. The system will require DPRO to dedicate a staff to maintain the system and keep the data current.

3. Question Three: Perceived Benefits

Did the consolidation of Contract Administration Services benefit your company? If so, how?

a. Discussion: Many Government personnel feel contractors stand to benefit from the transition. For example, many point to the fact that contractors will have fewer Service unique Contract Administration rules to understand and comply with. This question was designed to elicit contractor views regarding benefits they may have experienced from the consolidation.

b. Results: Most industry personnel responding did not note any perceived benefits to the transition. Some expressed varying views regarding the dissolution of the Navy Technical Representative Detachments (NTRDs), which had existed on a temporary basis in order to carry on the issuance of PIO/BOA orders for NAVAIR after the DPRO took over. That function has since been assumed by the DPRO. Figure 44 graphically displays the responses to this question.

Sample responses follow:

Grumman has Plants around the country and not every Plant was administered the same by the Government. The NAVPRO was different from the AFPRO which was different from the DCAS. Having all DPROs, standardizes the language and the operating procedures/policies, making the conduct of business more consistent.

No change was noticed, unless the consolidation resulted in the dissolvement of NTRD, then the answer is no. NTRD was very responsive to NAVAIR priorities.

...If you mean the elimination of NTRD...then yes, the consolidation of effort being handled by one Service vs. two is always better. We have one individual to coordinate with vs. 2 Gov't Reps. Priorities are not the same for them.

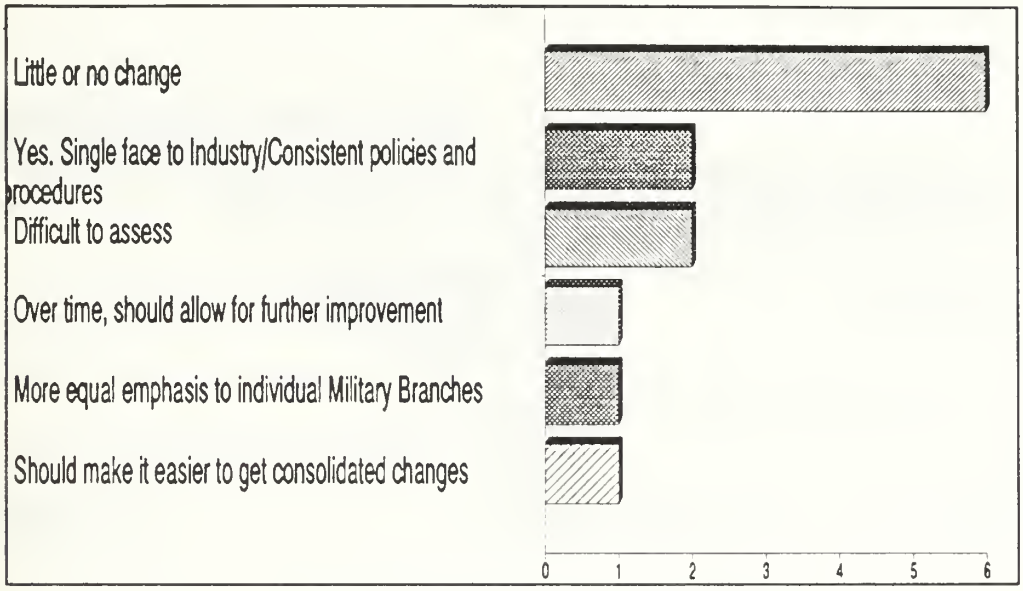

Figure 44 4 RESPONDENTS/13 COMMENTS

4. Question Four: Impacts on Customer Support

Will this change affect your ability to support your Navy Customer (NAVAIR)? If so, how?

a. Discussion: This question was designed to obtain industry views on whether the contractor will be able to provide the same level of service to the NAVAIR customer, given the change in CAS organizations.

b. Results: The largest group of respondents said they expected no noticeable effects on their ability to support Navy customers.

One contractor reported some temporary confusion early in the transition with the new procedures and organizational structure. Figure 45 graphically displays the responses to this question.

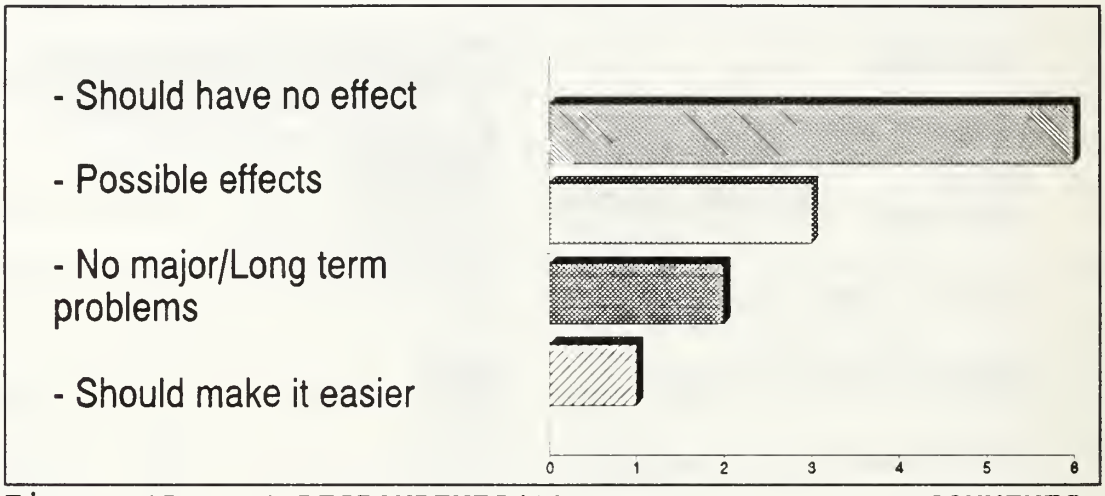

Figure 45 4 RESPONDENTS/12 COMMENTS

Sample responses follow:

Overall, no major effect on ability to support NAVAIR.

There is some feeling that DPRO is not as compelled to expedite Navy matters as NAVPRO was.

Closer coordination is required between DPRO and NAVAIR.

NTRD had a vested interest in supporting NAVAIR.

5. Question Five: Adoption of "Best Practices"

What functions were performed better by the NAVPRO? What previous NAVPRO practices should DCMC consider adopting?

a. Discussion: As in the ACO/PCO surveys, this question relates to the Best Practices program in that it sought to elicit opinions from PCOs regarding the value of using certain NAVPRO practices versus DPRO practices.

Information obtained through this question was used in the analysis and recommendations sections of this study.

b. Results: Figure 46 graphically displays the responses to this question. Most observed no change. Some commented on the NAVPRO emphasis on customer orientation.

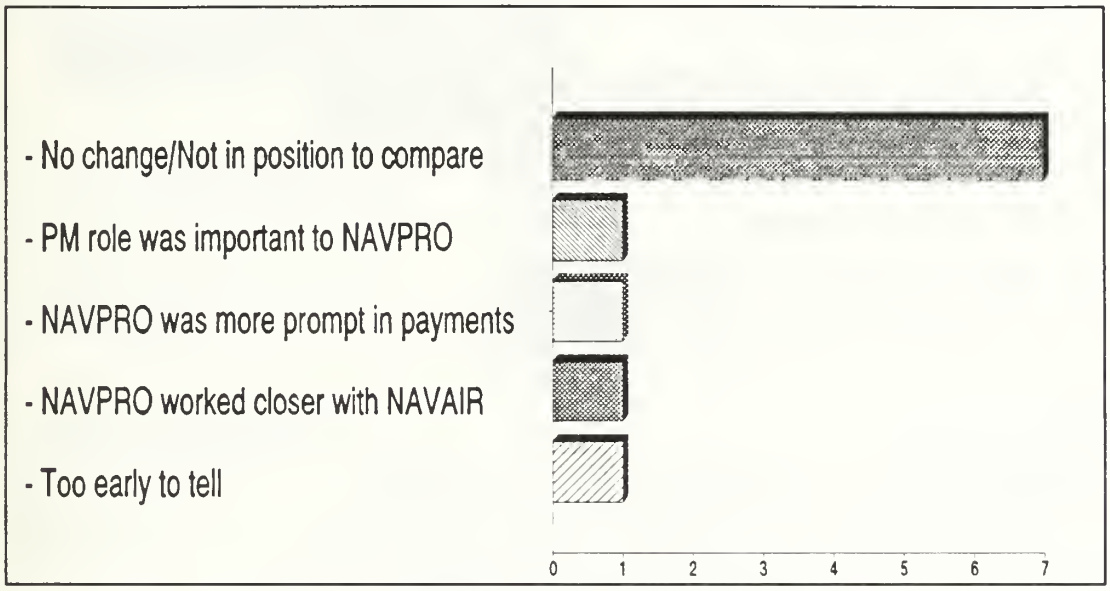

Figure 46 **4 RESPONDENTS/ 11 COMMENTS**

Sample responses follow:

> Program Manager role in NAVPRO is important. DPRO should, and is retaining this important function.
>
> Too early to tell yet...Until the beginning of FY92 there were few, if any, changes in the way of doing business between being a NAVPRO and a DPRO.

6. Question Six: Changes in Government Performance

What functions are performed better by the DPRO?

a. Discussion: This question was intended to identify, from the contractor point of view, any improvements in PRO functions since the transition.

b. Results: As in the previous question, the most common response group reported no observed changes in how functions are performed. Some did note greater consistency and formality in the way DCMC does business. Figure 47 graphically displays the responses to this question.

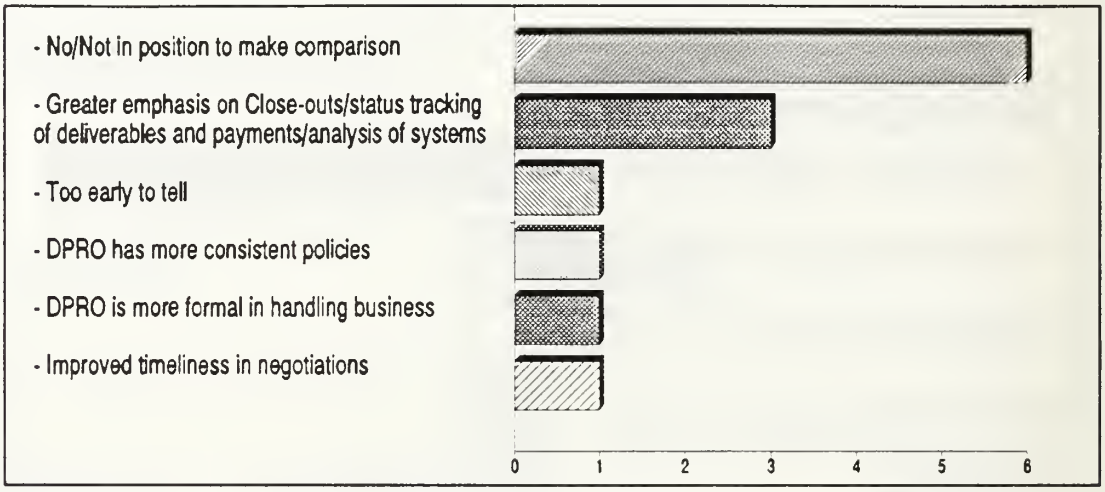

Figure 47 4 RESPONDENTS/13 COMMENTS

Sample responses follow:

> The DPROs now appear to have a more consistent, universal application of policy which is also more easily understood than the NAVPRO.
>
> Contractor personnel are dealing with the same Government Representatives we were dealing with before. We perceive no difference in the performance of their representation whether AFPRO, NAVPRO or DPRO.

7. Question Seven: Changes in Emphases

Have you seen a change in emphases by the DPRO versus the NAVPRO? What are they?

a. Discussion: Early feedback from ACOs indicated a greater emphasis by DCMC on such areas as contract close-outs and deliverables tracking through the use of MOCAS.

This question was designed to determine whether such changes in emphasis were affecting industry.

b. Results: Most industry respondents did note some change in emphasis since the transition to DCMC. Figure 48 graphically displays the responses to this question.

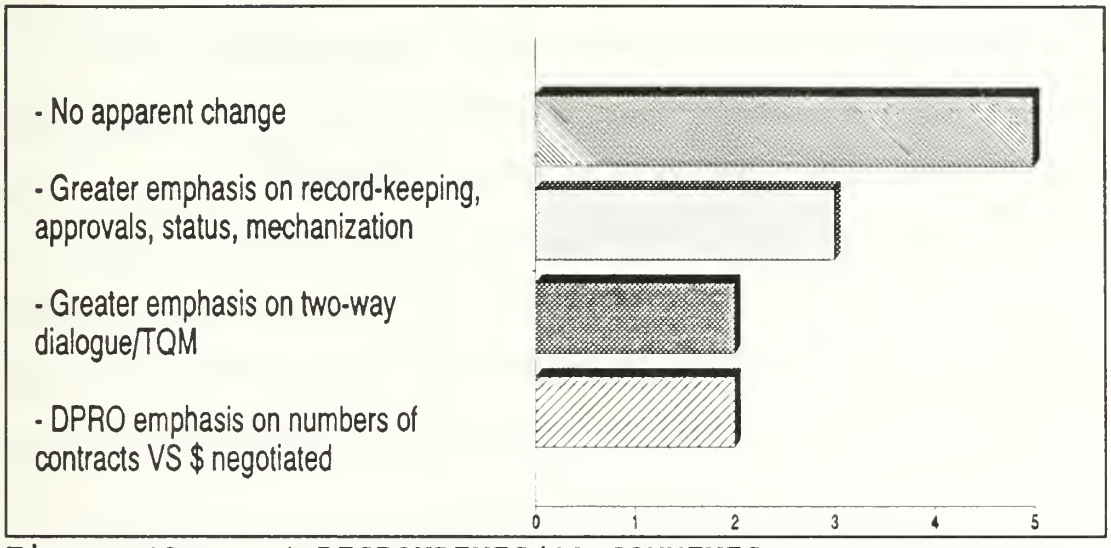

Figure 48 4 RESPONDENTS/12 COMMENTS

Sample responses follow:

It is our understanding that with DPRO, the emphasis is on numbers of contracts negotiated rather than dollar value negotiated.

One area of change is the increased emphasis on the timeliness of negotiations. There is now a greater emphasis on meeting the 180 day definitization cycle whereas before, the emphasis was on yearly dollar goals...

8. Question Eight: Required Interaction

Are there situations where your company must communicate with Defense Offices other than your on-site DPRO? (e.g. an on-site Navy detachment) In what situations?

a. Discussion: This question was designed to determine whether industry was dealing exclusively through the DPRO (in the "One face to Industry" concept), or still found it necessary to interact with other organizations.

b. Results: The majority of industry respondents reported communicating with a large variety of offices other than the DPRO, primarily concerning business other than Contract Administration. Respondents listed Defense Contract Audit Agency (DCAA), Navy Aviation Supply Office (ASO), various Navy field activities, NAVAIR PCOs and other agencies.

Sample responses follow:

> Direct interface with PCOs at NAVAIR, Aviation Systems Command (AVSCOM), ASO, Defense Industrial Supply Center (DISC), NASA, etc.
>
> Directly with customers where delegation is not made to DPRO, i.e. Ft. Eustis, NASA.
>
> Sikorsky dealt with an on-site NTRD (Navy Technical Representative Detachment) for approx. one year. The NTRD shop was disestablished effective 1 December of this year.
>
> A high percentage of our contractual business is with the Navy (NAVAIR), e.g.; technical change modifications.

9. Question Nine: Impacts on Negotiations

What effects have you seen on your negotiations of orders with the DPRO as compared with the NAVPRO? (e.g. timeliness, priorities, personnel relationships)

a. Discussion: This question was asked to determine if changing methods, roles, responsibilities, or organizational priorities within the PRO organization (e.g. increased emphasis on MOCAS) were having any effect on the timeliness with which negotiations were being conducted.

b. Results: In the most common response group, industry personnel expressed positive opinions regarding the effects of the transition on various aspects of negotiations. Figure 49 graphically displays the responses to this question.

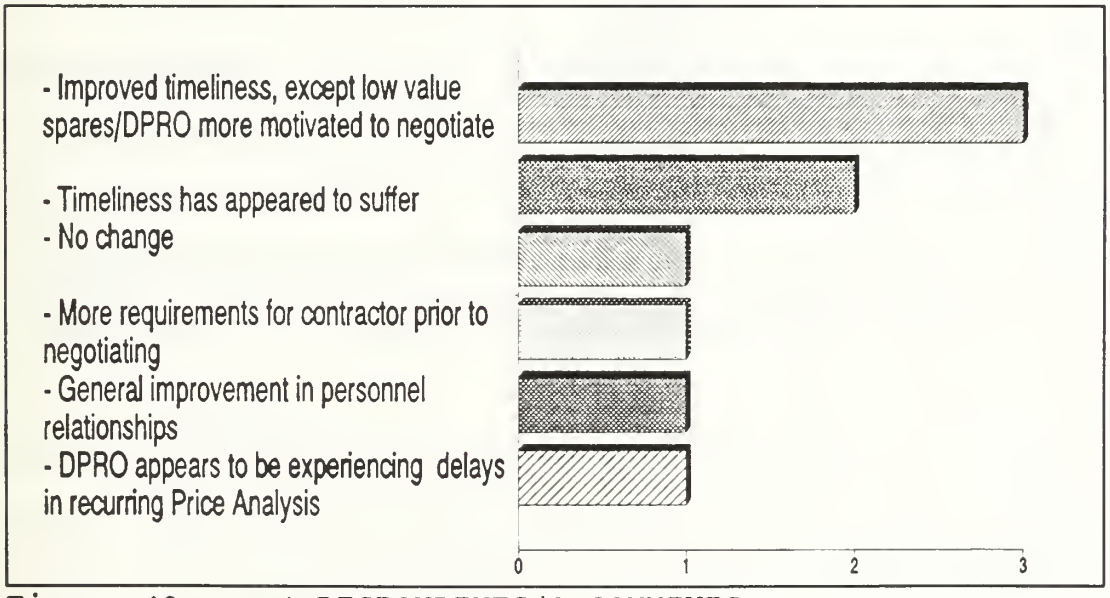
- Improved timeliness, except low value spares/DPRO more motivated to negotiate
- Timeliness has appeared to suffer
- No change
- More requirements for contractor prior to negotiating
- General improvement in personnel relationships
- DPRO appears to be experiencing delays in recurring Price Analysis
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Figure 49 4 RESPONDENTS/9 COMMENTS

Sample responses follow:

The timeliness of negotiations appears to have improved in all areas except for low value spares. The DPRO does spend more time in analyzing these proposals than ASO did. This might be due to the fact that the DPRO now has

a separate Negotiation and Pricing section. With a company as large as Grumman, I'm not sure there is a need to separate these two functions...

Some high quality people, but it appears they have some additional reporting responsibilities - timeliness has suffered somewhat.

The DPRO now expects the following (all changes from the previous methods of doing business):

1) Pricing updates prior to taking action on proposals
2) 120 days for proposal pricing/negotiation
3) No acceptance of proposal packages without funding from NAVAIR
4) No DD 250 sign off for aircraft not 100% in compliance with contract

10. Question Ten: Further Recommendations

Please provide any other recommendations related to enhancing the success of the transition.

a. Discussion: This question was asked of DPRO ACOs as well as their industry counterparts. It was intended to elicit specific recommendations from process owners for improving the success of the transition. This question allowed industry personnel to make recommendations which they may not have had the opportunity to mention in responding to the previous questions.

b. Results: There were several recommendations to enhance the success of the transition. Most of the recommendations were similar in that they emphasized some form of communications. Figure 50 graphically displays the responses to this question.

Sample responses follow:

Make MCAIR aware of the differences in the way DPRO will operate, as compared to NAVPRO.

The writer is not aware of any substantive briefing provided the contractor by the affected Government Agencies. Such a briefing would presumably indicate differences in internal and external agency policies and procedures. Without such a briefing the Contractor may not be aware of such differences.

Sikorsky A/C hopes there will be few problems in the future relative to disconnects in philosophy/business between NAVAIR and DLA that could result in the company getting mixed signals.

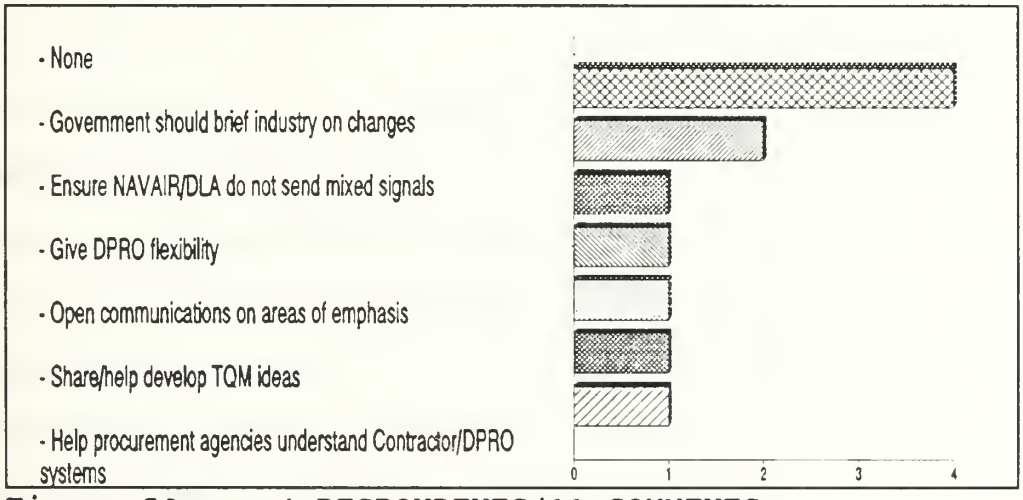

Figure 50 4 RESPONDENTS/11 COMMENTS

11. Summary

The industry surveys revealed several important points. It was interesting to note that, overall, most industry respondents considered the NAVPRO/DPRO transition to have minimal benefits for their company. Those who did perceive the transition as generally benefitting their companies cited the standardization of policies and procedures as the primary benefit. Despite the perception that few

benefits would accrue to the companies from the transition, the largest group of industry respondents said they did not expect the transition to affect their ability to support Navy customers.

The remaining points may be categorized as factors related to five general areas of change. These include organizational structure/roles, operating guidance, reporting requirements, MIS/Control systems, and organizational priorities. These points are discussed below.

The section which follows this summary provides the results of the PM surveys.

a. Structure and Roles

The fact that industry personnel had concerns about DCMC Contract Review Boards overturning ACO decisions was considered significant. Industry personnel also expressed concerns that DPRO ACOs may not possess the latitude which NAVPRO ACOs did. Such situations could undermine the credibility of the ACO and jeopardize timely negotiations. Despite these concerns, the most common response regarding timeliness of negotiations indicated improvements had occurred.

There were related concerns about the increased number of ACOs, and confusion over points of contact.

It was also considered significant that industry would express concerns about whether a Naval Officer continued to fill the role of DPRO Commander, since a Commander from

another Service would have no ties to NAVAIR. Some expressed a related concern regarding the quality of communications between the DPRO and NAVAIR, since they work within different organizational structures.

The industry recommendations for enhancing the transition process were similar to the latest PCO recommendations in the fact that they emphasized various improvements in communications.

b. Operating Guidance

It was considered significant that some industry personnel anticipated more consistent, uniform procedures, and fewer agency unique priorities to have positive impacts on all programs.

c. MIS/Control Systems

There were several complaints about the ability of the MOCAS system to provide timely payment. One indicated a five-fold increase in the time required for invoice payment. Some of the invoice payment complaints seemed to relate to the fact that on-site disbursement offices were being disestablished, as part of the consolidation of Defense Department financial systems.

Several expected MOCAS to improve the payment process, although others felt that the system was still too new to thoroughly evaluate. It was interesting to note that only one of the four contractor facilities surveyed provided entirely positive regarding MOCAS.

Significantly, several respondents felt that the DPRO was better than the NAVPRO in performing Contract Close-out functions, and maintaining status of contract deliverable and payments.

d. Reporting Requirements

The fact that industry personnel were concerned about the effects of increased ACO reporting and other administrative requirements was considered significant. Some felt that this might cause timeliness of negotiations to suffer.

e. Organizational Priorities

Some industry personnel were concerned about whether the DPRO would have different priorities than the NAVPRO had. Similarly, others were concerned about the general DPRO attitude toward accomplishing procurement actions.

Many industry respondents noted changes in organizational emphases. Significantly, some referred to DCMC's emphasis on maximizing the quantity of contractual actions completed within prescribed timeframes (versus the NAVPRO emphasis on dollar volumes).

G. PROGRAM MANAGER SURVEY

The NAVAIR Program Managers with programs which had previously been administered by the NAVPROs were surveyed. The surveys were sent to NAVAIR Code AIR-1002, which disseminated and subsequently collected and returned all of the responses. The surveys were sent to eleven Program Management offices (PMAs). Ten PMAs responded. One reported having insufficient information to provide an assessment. Those which responded included: PMA-257, PMA-261, PMA-274, PMA-265, PMA-241, PMA-234, PMA-273, PMA-244, PMA-231, PMA-266. As important customers, who rely on the PROs in achieving many program objectives, the Program Managers were expected to have strong opinions on the quality of PRO support they have received since the NAVPRO/DPRO transition. Program Managers were asked to rate their agreement with a series of 16 statements on a Likert scale, with possible responses ranging from Strongly Agree through Strongly Disagree.

1. Statement One: Program Support Services

DCMC has been pro-active in making DPRO Program Management services known to my Program Office.

a. Discussion: There seemed to be an emphasis on enhancing program support in much of the early DCMC correspondence. This lead the researcher to presume that DCMC would take steps to make customers aware of the transition, and any changes in support services.

b. Results: Figure 51 graphically displays the results of this statement. PMs were evenly split between

agreement/disagreement on this statement. There was only one extreme response, which strongly disagreed with the statement. It appears that those who have received briefings on DPRO services received them from the DPRO. This could indicate that DCMC has directed the DPROs to perform such briefings, however, if that were the case one would expect all of the PMs to have been briefed.

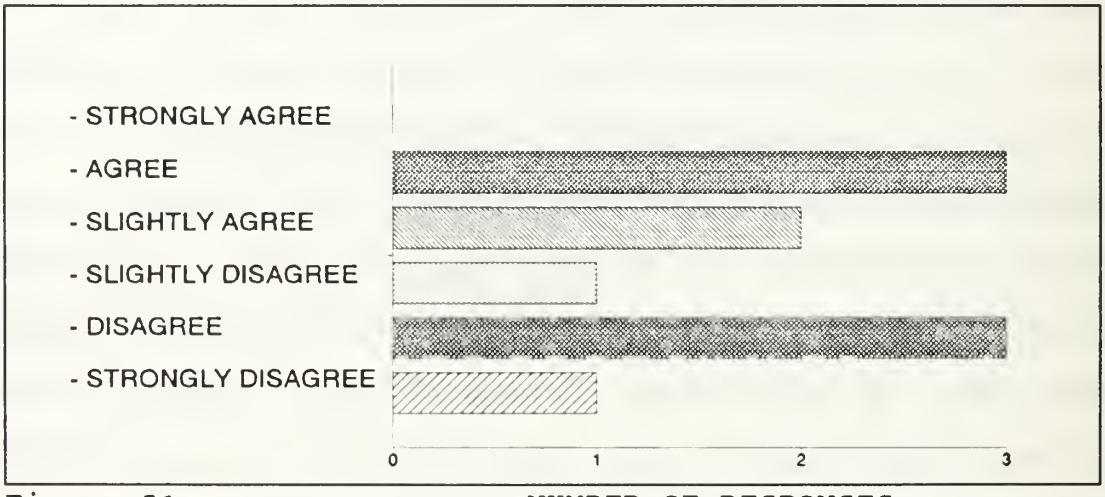

Figure 51

Sample comments follow:

Have had no official notification of DLA emphasis in this area; individuals at DPRO have been proactive.

We have not even talked to anybody from DCMC (other than ROHR claim).

DCMC hasn't talked to us, however DPRO has. We receive good support from DPRO but maybe because NAVPRO personnel still there.

DPRO has been pro-active, not DCMC.

2. **Statement Two: Leverage with Contractors**

My leverage with the contractor remains at least as strong as before the NAVPRO/DPRO transition.

a. Discussion: This statement explores the possibility that some contractors may not feel compelled to be as responsive to Program Managers, since they are no longer required to deal with an on-site arm of NAVAIR. This possibility was brought out in an early ACO survey which reported that the contractor had taken advantage of the transition by sowing confusion and playing Government offices against each other.

b. Results: Figure 52 graphically displays the

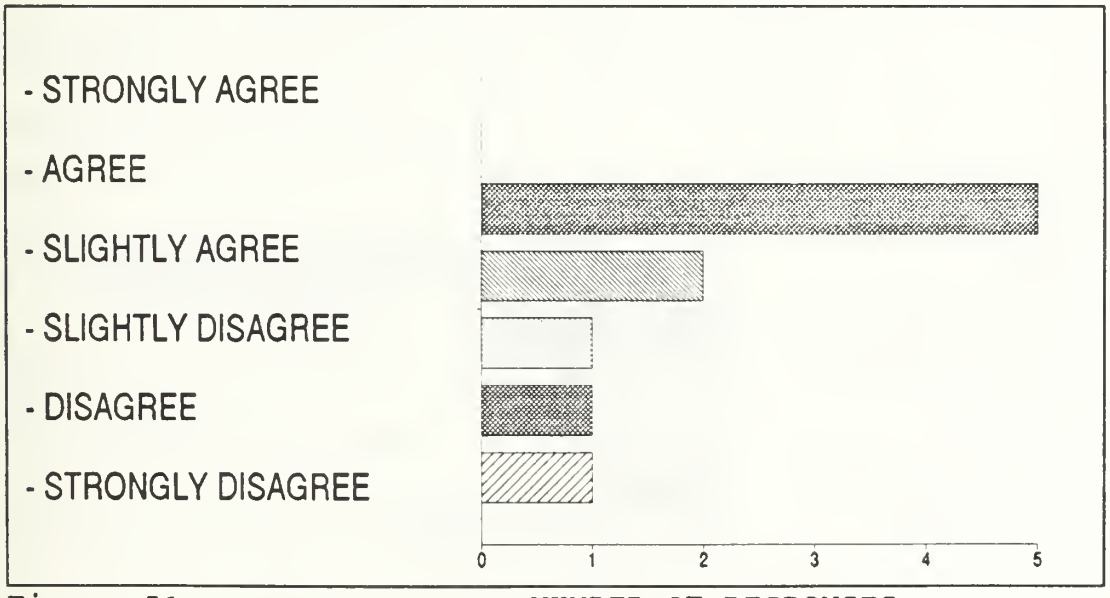

Figure 51

results of this statement. Most PMs indicated agreement with this statement.

Sample responses follow:

In essence, its the same people doing the same job.

Service component leadership on-site provides more accountability emphasis.

3. Statement Three: Reporting Systems

DCMC program reporting systems are at least as useful as the former Navy systems were to my Program Office. (e.g. deliverables status, funds status)

a. Discussion: NAVPRO reporting systems had been developed by NAVAIR and the NAVPROs over several years. They were likely refined to provide only certain information considered necessary for NAVAIR use. This statement was designed to determine how useful DPRO reports to customers are in comparison to the previous NAVPRO reporting systems.

b. Results: Figure 53 graphically displays the

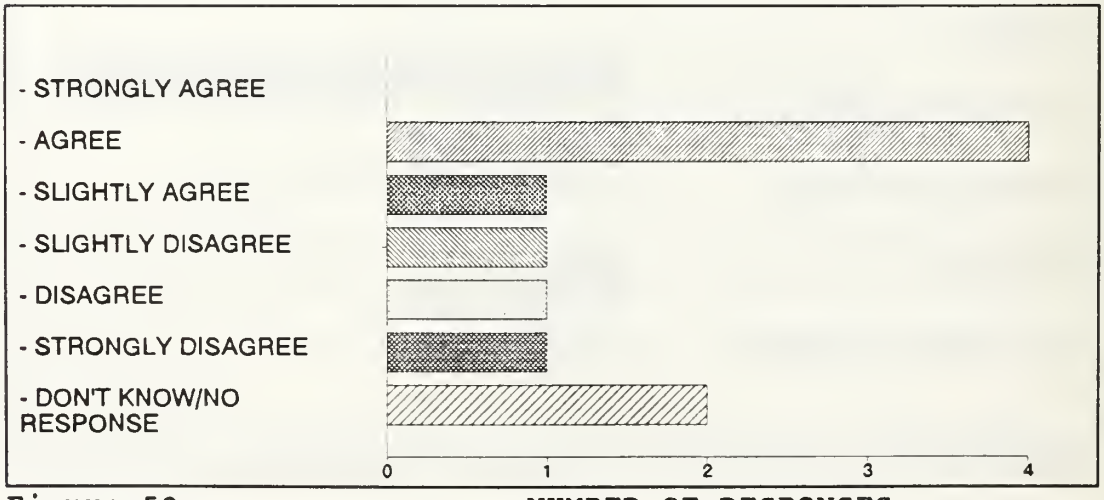

Figure 53

responses to this statement. Of those who responded, most agreed with this statement. Of those who could not rate this statement, one felt it was too early to comment, and the other

indicated that there was little visibility of the reports at the PMA level. The variety of responses indicated the possibility of variance among the DPROs in reporting methods. This could indicate that some DPROs are still providing information to PMs over and above DCMC requirements.

Sample responses follow:

No change.

Have not seen any formal reports.

What DCMC reports?? I've never seen any. (They don't even forward Sikorsky's reports in a timely manner)

4. Statement Four: Efficiency of Funds Obligation

The DPRO is at least as efficient as the NAVPRO was in getting funds obligated.

a. Discussion: This statement was based on information garnished from early ACO and PCO feedback indicating that DPROs were more concerned with getting **quantities** of actions accomplished on a first-in, first-out basis, versus the former NAVPRO emphasis on **dollar** volumes.

b. Results: Figure 54 graphically displays the responses to this statement. Most PMs either disagreed with this statement, or reported that it was too soon to tell due to insufficient information.

Those who responded were evenly divided between agreement and disagreement.

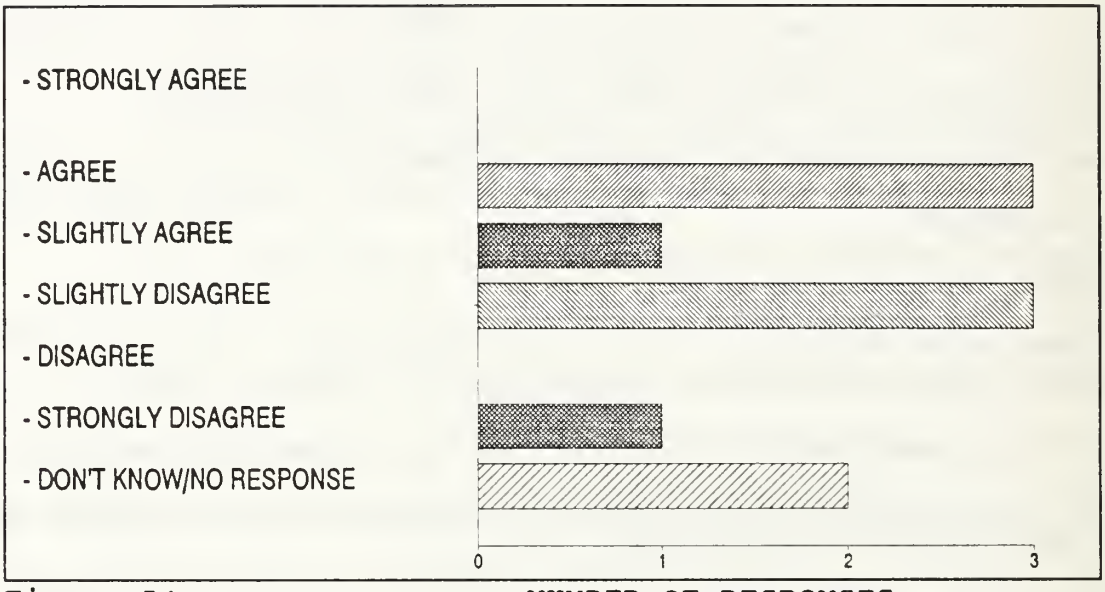

Figure 54

Sample responses follow:

Not as much leverage as before, when NAVAIR set NAVPRO priorities.

Can't say for sure. FY 91 was not exactly a normal year - Judging from turn-around time and other items, I don't think there will be any improvement.

5. Statement Five: Benefits to Industry

The contractor has benefited from the NAVPRO/DPRO transition.

a. Discussion: This statement was intended to determine whether PMs agreed that CAS consolidation would benefit contractors, as some have predicted.

b. Results: Figure 55 graphically displays the results of this statement. Most PMs disagreed with this

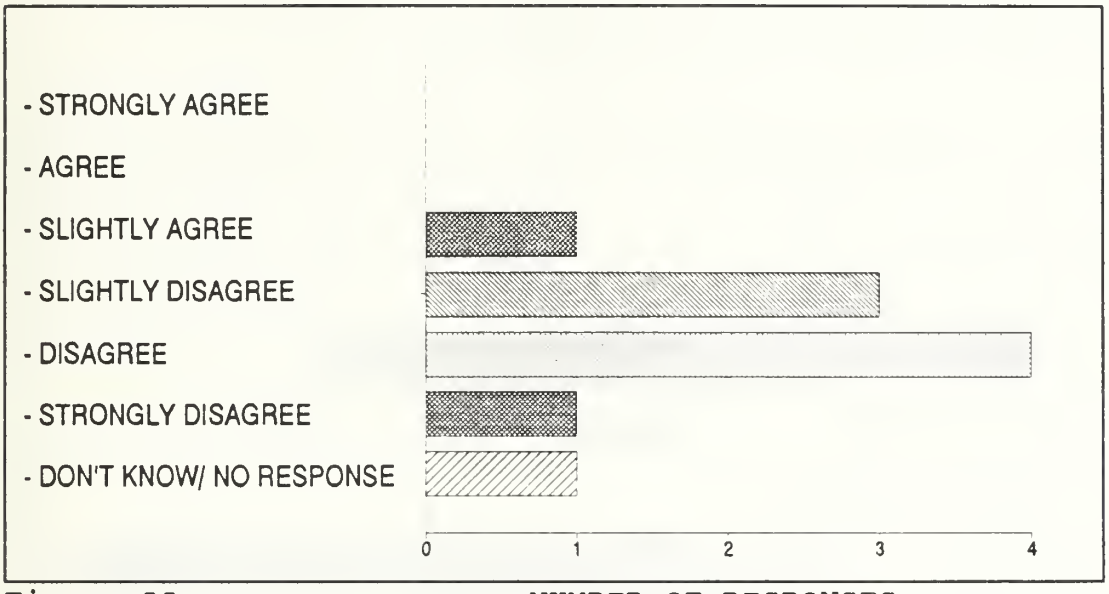

Figure 55

statement. One who didn't know recommended asking the contractor.

Sample responses follow:

> No benefits, and some transition work from the contractor's point of view (I think).
>
> From what I've seen, the contractor experiences much frustration in trying to do business with the DPRO.

6. Statement Six: Impacts on Government Flexibility

The DPRO ACO seems to have at least as much flexibility in contractor dealings as did the NAVPRO ACO.

a. Discussion: This statement was designed to help determine whether ACO role changes under DCMC have impacted ACO abilities to act on PM priorities.

b. Results: Figure 56 graphically displays the results of this statement. Most PMs disagreed with this statement, indicating they feel ACOs now have less flexibility than they did prior to the transition.

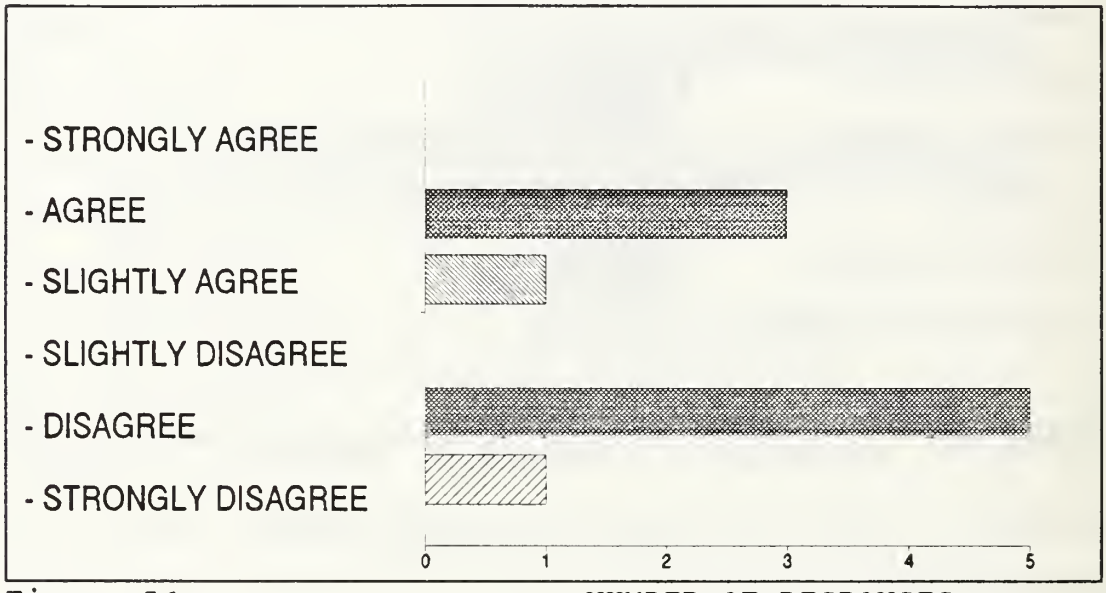

Figure 56

Sample responses follow:

Layers of bureaucracy between them and us, while not a problem yet, are just problems whose time hasn't yet come.

DPRO ACO is much more interested in going by the book than in finding solutions and accomplishing tasks.

Has another layer of management - Boston office - outside of Navy chain of command. Not as flexible! At least one opportunity for innovative solution to a problem has been squelched.

7. Statement Seven: Ability to Set Priorities

My ability to set action priorities for the ACO has been degraded by the transition from NAVPRO to DPRO.

a. Discussion: DCMC's stated intentions were to maintain a high level of program support. A key element toward fulfillment of this goal is empowering ACOs with the ability to act on PM priorities. This statement sought to establish whether PMs feel their priorities are being given as much attention as before the transition.

b. Results: Figure 57 graphically displays the

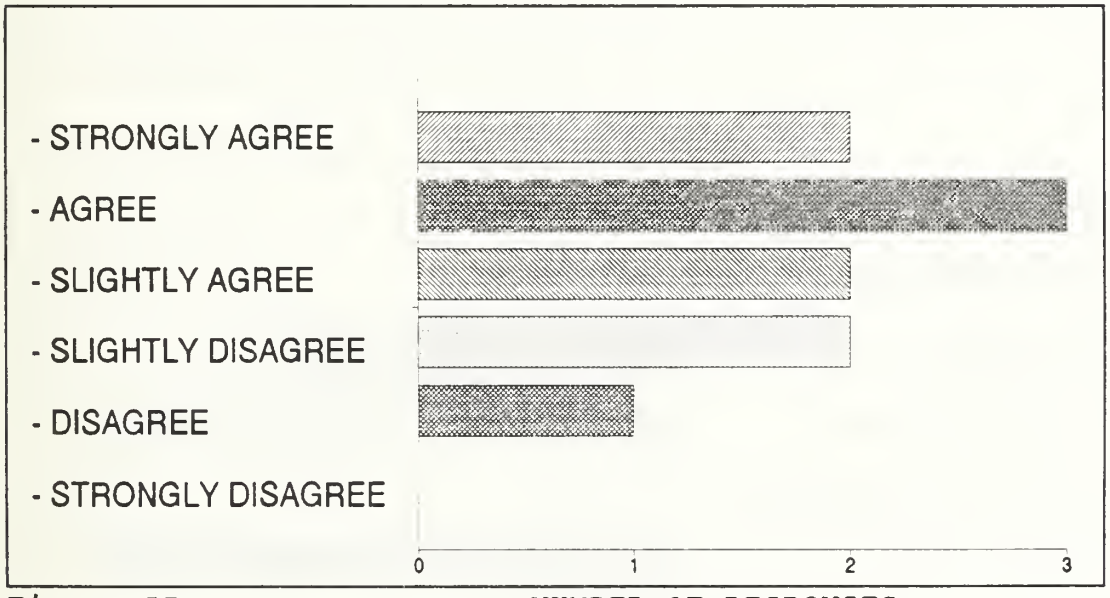

Figure 57

results of this statement. Most PMs agreed with this statement, indicating their ability to set ACO priorities has been degraded.

Sample responses follow:

For the most part, the reaction to requests for priority actions is "If I can fit it in."

No change (maybe slightly worse).

8. Statement Eight: Navy Detachments

Since the dissolution of the Navy Technical Representative Detachments (NTRDs), on-site customer support from the DPRO has deteriorated.

a. Discussion: The Navy maintained NTRDs after the transition, to continue performance of some tasks which the DPRO would not perform. Under the November 1991 MMOA amendment, DPRO picked up those tasks, allowing for dissolution of the NTRD. This statement was designed to determine if PMs feel program support will be as strong without the NTRDs.

b. Results: Figure 58 graphically displays the

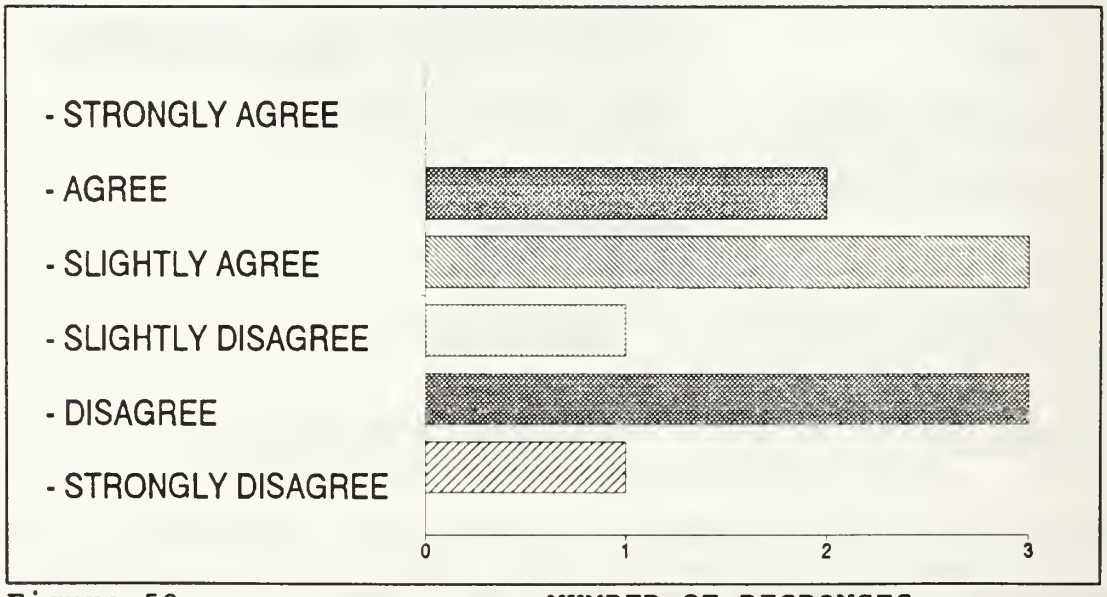

Figure 58

responses to this statement. PMs were evenly divided on this question, although the more extreme responses were in disagreement with the statement.

Sample responses follow:

> Only because of personnel change - NTRD person was more aggressive.
>
> NTRD dissolution was a good idea. Took out the "middle man" in certain areas.

9. Statement Nine: Personnel Teaming Arrangements

The DPRO concept of ACO Teams is having beneficial effects on my program.

a. Discussion: Under NAVPRO management, there were separate personnel assigned to exclusively negotiation functions, and others who did exclusively administration. The Negotiators also did their own price and cost analysis. DCMC has established an ACO teaming arrangement, which one DPRO manager described as follows:

> ...With the various NAVAIR PMA shops operating independently of each other and, indeed, in actual competition with each other for the limited time and personnel assets of Contracts Division, we were forced to scatter proposal negotiations around the Division rather than allowing a specific ACO Team to handle the work of a single PMA Shop/Aircraft Type...DLA has instructed us to:...(c) structure the ACO teams so that they work on specific aircraft types, with a known workload schedule. This is, in my opinion, a very good thing, although it requires more planning and overall coordination on the part of customers than before...(Ref. 26)

Therefore, DCMC is trading an unstructured, flexible organization, in which work could be shifted around as necessary, for a structured organization which directs certain types of work to specific personnel. This statement was designed to determine PM opinions concerning the value of this latest approach.

b. Results: Figure 59 graphically displays the results of this statement. The greatest number of PMs disagreed with this statement. The responses seemed to indicate that PMs saw (or were aware of) little difference between the DPRO teaming approach and that formerly used by the NAVPRO.

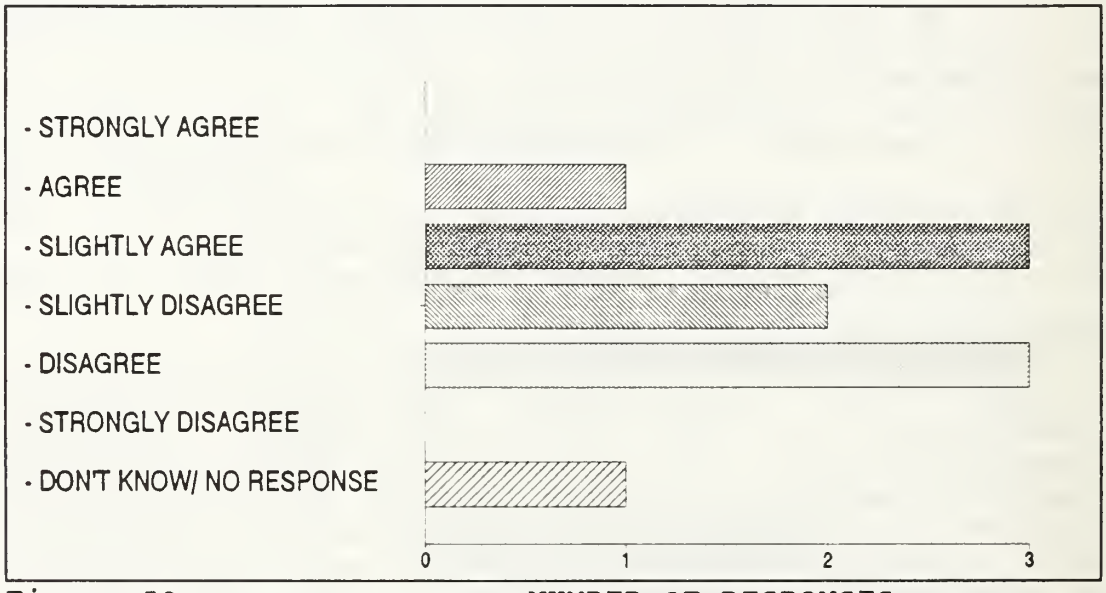

Figure 59

Sample responses follow:

> ...the NAVPRO had ACO teams - the only difference I've seen is in who does the negotiations.
>
> I have a team assigned to my program which is coordinated by a Program Integrator, not an ACO.

10. Statement Ten: Importance of Naval Leadership

In order to maintain DPRO responsiveness to NAVAIR, it is important that a Naval Officer remain in command of the DPRO.

a. Discussion: This statement reflects the researcher's assumption that, since the PROs have transitioned

into a Joint Command, the Commander may not necessarily remain a Naval Officer. Since the work in the plants concerned is primarily for major Navy programs, it would seem essential to ensure that DPRO Commanders are familiar with the technical and operational nuances of the programs they administer. This statement was designed to obtain PM opinions on the importance Navy leadership.

b. Results: Figure 60 graphically displays the responses to this statement. The vast majority of the PMs agreed with this statement.

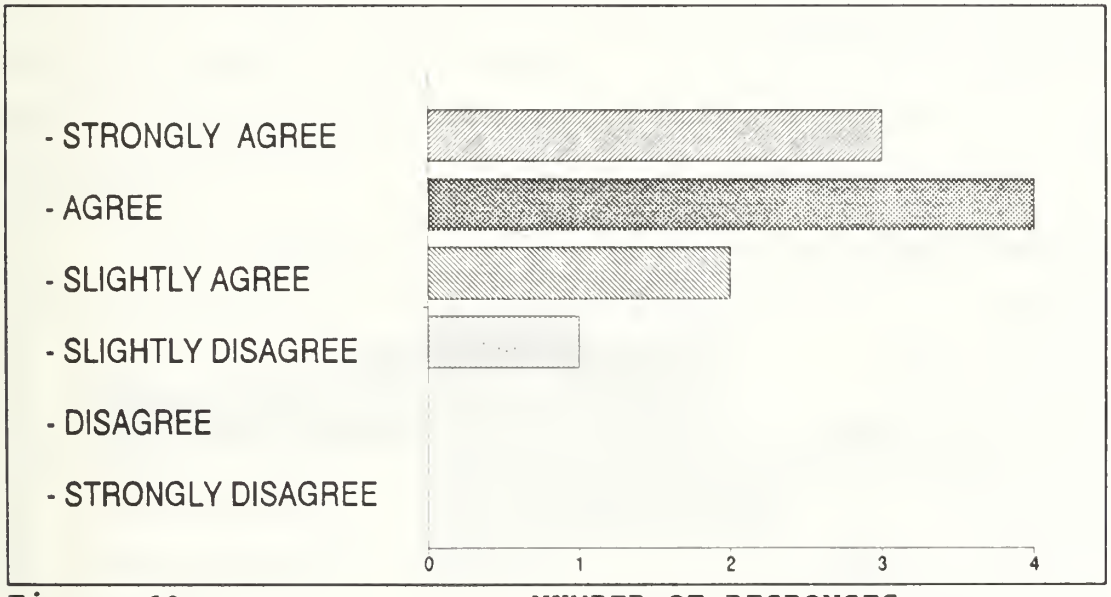

Figure 60

The two comments received follow:

"Special" treatment (which we deserve) would evaporate with a different Service CO

I think it is important to have an <u>impartial</u> Naval Officer in command.

Our only managerial input to priorities!

11. Statement Eleven: Memorandum of Understanding

The recent Memorandum of Understanding between the Navy and DLA will likely ensure a high level of customer support from DCMC.

a. Discussion: This statement was designed to ascertain to what degree PMs felt the November 1991 amendment to the Master Memorandum of Agreement between the Navy and DLA would enhance customer support.

b. Results: Figure 61 graphically displays the responses to this statement. Most PMs disagreed with the statement, but only slightly. Their comments reflected some skepticism, but the jury is still out. Some were not aware of the recent agreement.

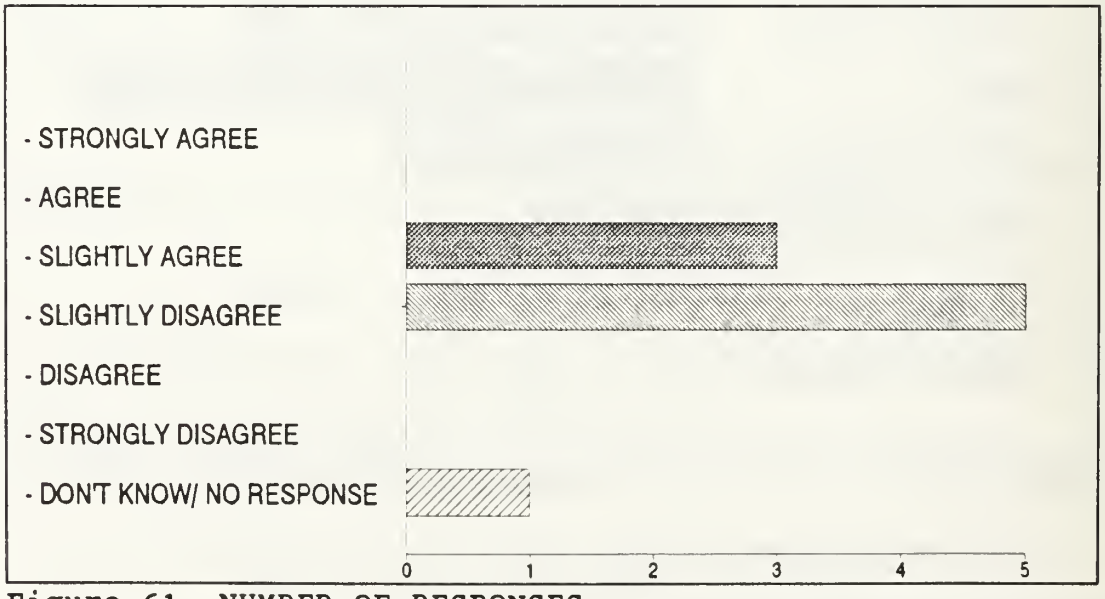

Figure 61 NUMBER OF RESPONSES

Sample responses follow:

Results will depend on people assigned.

I doubt if it will make a difference. I believe a large percentage of the problem is attitude.

Show me.

Unsure. Have not been on distribution; have not seen. From what we hear, we are hopeful that this will be the case.

12. Statement Twelve: Means of Improving Relationships

The most useful means of optimizing the NAVAIR/DPRO working relationship would be through meetings during which DCMC would explain their methods, and NAVAIR would explain their needs.

a. Discussion: Feedback from ACOs and PCOs indicated improvements in communications were essential in order to improve the relationships between the DPRO and customer organizations. Some suggested that DCMC methods needed to be explained to customers, while also determining specific customer requirements. This statement sought to elicit PM opinions on whether this approach would be worthwhile.

b. Results: Figure 62 graphically displays the

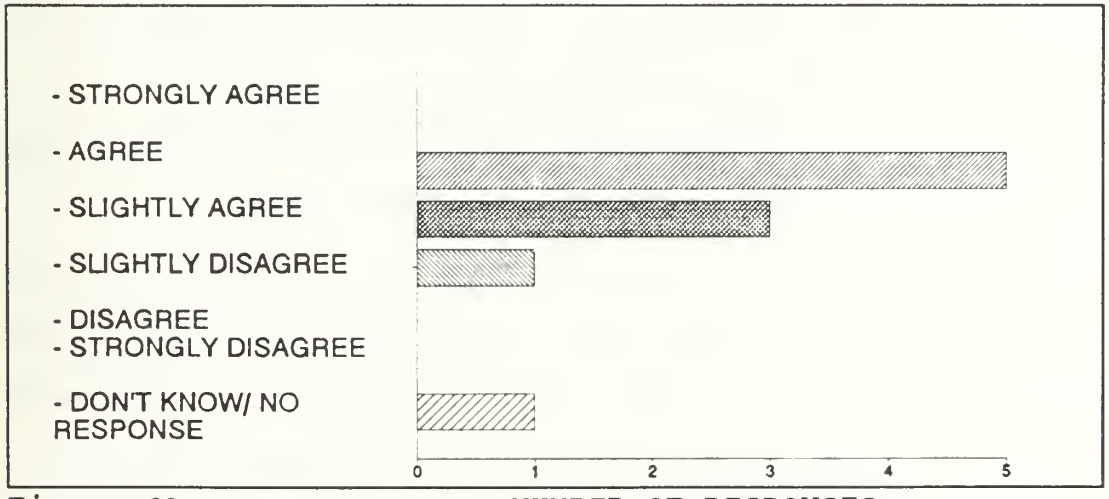

Figure 62

responses to this statement. There was strong agreement that the communications lines must be improved.

Sample responses follow:

Communication is always the key to success.

Meeting of DCMC orientation definitely in order as starting point; follow on meetings/correspondence likely necessary.

We tried this with DPRO Contracts Division before, with no noticeable results. I would be willing to try again.

13. Statement Thirteen: Adherence to Specifications

DCMC's insistence on 100% compliance with specifications causes unnecessary delays in Government acceptance of deliveries (DD 250 sign-off).

a. Discussion: This statement was based on industry feedback which indicated that DD 250s were not being signed off by DPRO personnel, unless an aircraft was in complete compliance with the contract. The researcher speculated that the Navy might prefer to waive certain specifications at times, in lieu of other considerations.

b. Results: Figure 63 graphically displays the responses to this statement. Slightly more PMs disagreed with this statement than agreed with it.

Sample responses follow:

Some flexibility is needed.

Common sense items are handled well, but extensive effort is needed to compute any technical waiver.

Have not seen any difference between DCMC and NAVPRO. We always require 100% compliance.

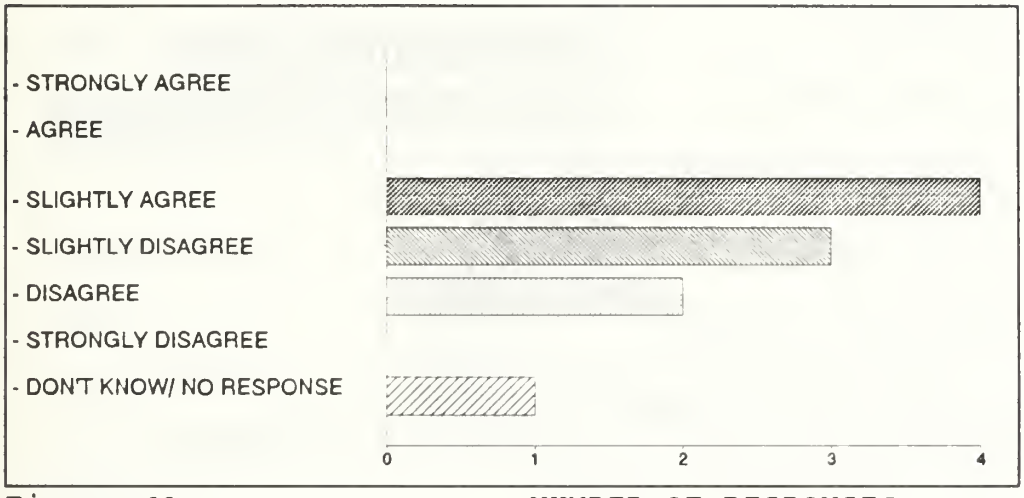

Figure 63

14. Statement Fourteen: Use of "Best Practices"

The DPROs appear to have retained many of the best practices that were utilized in the NAVPROs.

a. This statement relates to the DCMC Best Practices program. PM observations concerning the actual retention of useful practices are used in the analysis and recommendations sections of this study.

b. Results: Figure 64 graphically displays the responses to this statement. Most PMs agreed with this statement, indicating that some of the best practices are being retained and are visible at the PM level. Two out of

the three written comments, however, came from PMs who disagreed with the statement. This could indicate that certain DPROs have done better with the program than others.

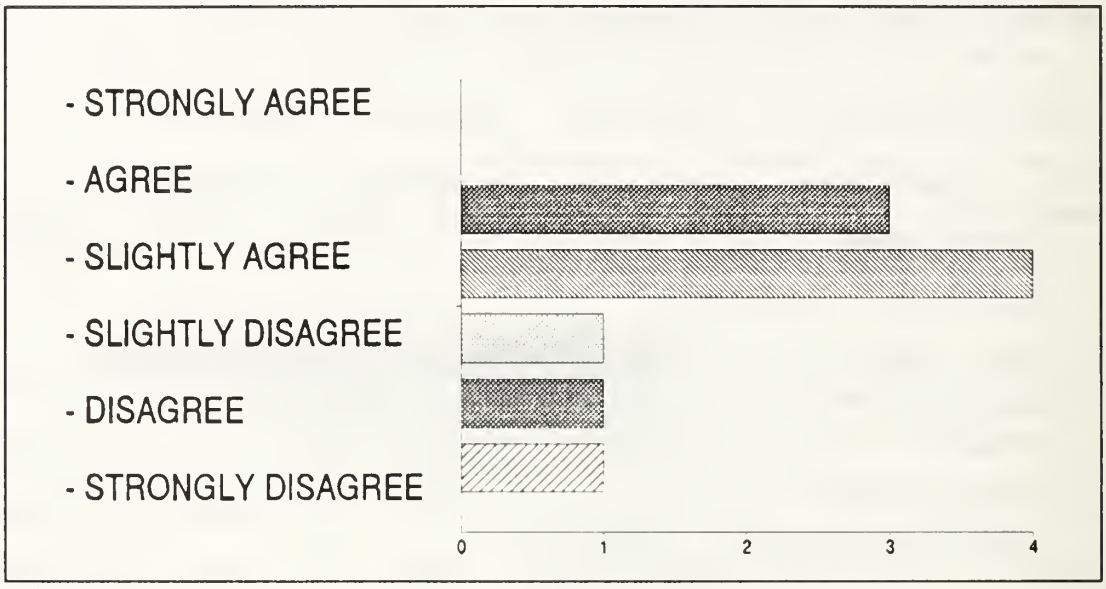

Figure 64

Sample responses follow:

> The DPRO appears to have discarded all NAVPRO practices (as well as several people) in favor of the DLA way of life.
>
> Have not seen evidence of this, except we are pleased with retention of order issuance and GFE management.
>
> Seems to be.

15. Statement Fifteen: Program Integrator Effectiveness

The DPRO Program Integrators are effective at motivating and getting program support from the DPRO matrix.

a. Discussion: This statement sought to obtain PM reactions to the newly established position of Program Integrator. Although the NAVPROs had Program Manager Representatives (PMRs), who performed similar roles as the

Program Integrators, the PMRs had two reporting seniors, the NAVPRO and NAVAIR. The Program Integrators report exclusively to the DPRO Commander.

b. Results: Figure 65 graphically displays the results of this statement. Most PMs agreed with this statement, indicating that Program Integrators are performing effectively. Several indicated they had insufficient data to rate the statement, however.

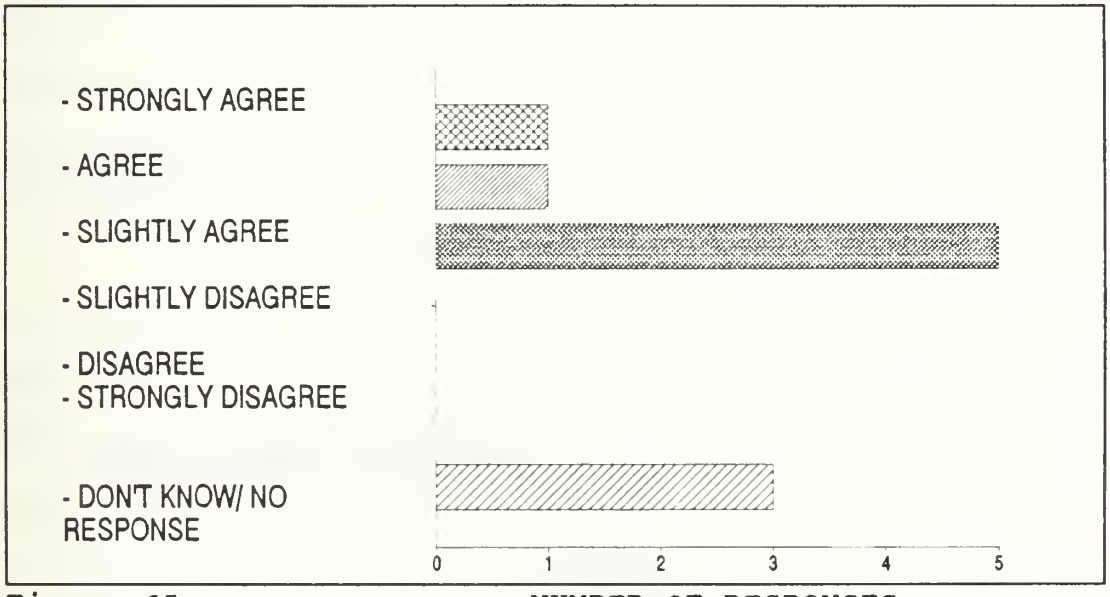

Figure 65

Sample responses follow:

Have not seen a major change as yet.

The PI is vital to the support of our program and coordination of DPRO.

We don't have one.

Our military PI has always been effective and I am strongly supportive of continuance.

16. Statement Sixteen: Impacts on Program Support

Overall, Program Support has improved since the NAVPRO has become a DPRO.

a. Discussion: This statement sought an overall PM opinion of how program support has changed since the transition. Reactions to this statement help answer the primary research question, "How well is the Navy/DCMC organizational relationship supporting the needs of Navy and Industrial customers?" .

b. Results: Figure 66 graphically displays the responses to this statement. Significantly, none of the PMs

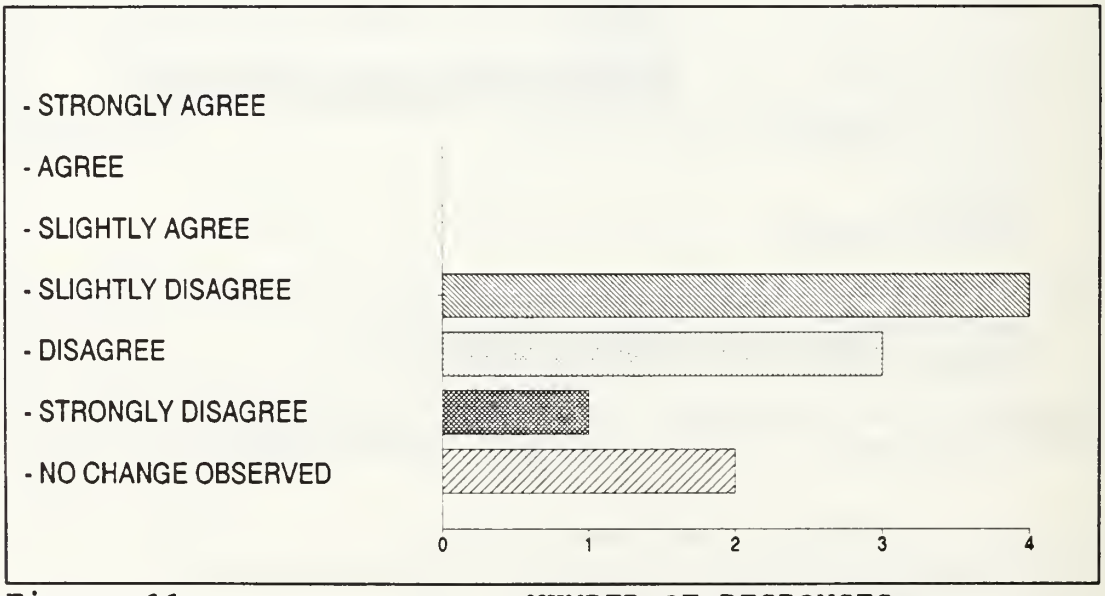

Figure 66

agreed with this statement. Two PMs did not rate the statement, but did indicate that they had not observed much change.

Sample responses follow:

I can not think of any aspect of support that has improved.

The levels of communication and feeling of teamwork have decreased.

Transparent - No change.

17. Summary

The Program Manager surveys revealed several important points. Most significantly, none of the PMs agreed that Program Support had improved since the NAVPROs became DPROs. Some indicated that the transition had been transparent to them. One felt that:

The levels of communication and feeling of teamwork have decreased.

It was also interesting to note that, overall, there was strong agreement that communications lines must be improved. Despite this consensus, only half of PMs indicated that DCMC had been pro-active in making DPRO Program Management services known to Program Offices.

Surprisingly, most PMs agreed that the DPROs appear to have retained many of the best practices that were utilized in the NAVPROs. This is surprising, since most ACOs who had heard of the program indicated they had not seen any change from what they believed were traditional DLA Contract Management practices.

The remaining points may be categorized as factors related to three general areas of change. These include organizational structure/roles, MIS/Control systems, and organizational priorities. These points are discussed below.

The section which follows this summary provides an overall summary of this chapter.

a. Structure and Roles

Most PMs felt that the DPRO ACO has less flexibility in contractor dealings than the ACOs did under the NAVPRO. They also indicated that their ability to set ACO priorities had been degraded by the transition. Despite this finding, however, and other role changes which have occurred, most PMs agreed that their own leverage with contractors had remained as strong as before the transition.

One PM made a comment which was similar to what some PCOs and industry personnel had said regarding role changes, stating:

> Layers of bureaucracy between them and us, while not a problem yet, are just problems whose time hasn't yet come.

The vast majority of PMs felt it was important that a Naval Officer remain in command of the DPROs concerned, if they were to remain responsive to NAVAIR. This was a concern with industry personnel, as well.

Most PMs regarded the Program Integrators as effective in motivating and getting support from the DPRO matrix. Unlike the latest ACO feedback, there were no

negative opinions reflected regarding Program Integrators. The similarity to ACO responses appears to be the fact that some PMs seem to regard the Program Integrator position as a continuation of the NAVPRO Program Manager Representative function. This was evident in one comment, which stated:

> Our military PI has always been effective and I am strongly supportive of continuance.

Other PMs indicated, however, that they were not aware of having an assigned Program Integrator.

b. MIS/Control Systems

Most PMs agreed that DCMC reporting systems were at least as useful as the former NAVPRO systems, although some reported not seeing any reports.

c. Organizational Priorities

Significantly, half of the responding PMs indicated the DPRO was less efficient in getting funds obligated than the NAVPRO had been. One attributed this to a decrease in Navy leverage in setting PRO priorities.

H. CHAPTER SUMMARY

Together, the survey results described in this chapter combine to reveal many significant points. The early ACO and PCO surveys, conducted in May 1991, provided initial reactions to the NAVPRO/DPRO transition. There was considerable uncertainty among the Contract Administration process owners at that time. The early surveys only provided limited information, however, and some of the results probably

reflected the "growing pains" of learning the new structures, roles, methods and systems.

The latest surveys, conducted between November 1991 and January 1992, were much more extensive. They were completed by ACOs, PCOs, PMs and industry personnel. Many of the questions in the latest surveys were based on information gathered in the early surveys. In addition to revisiting some of the issues discovered through the early surveys, the questions in the latest surveys were geared toward answering the subsidiary research questions, ultimately, the primary research question. The significant points revealed through this extensive research are analyzed in Chapter IV, the Organizational Comparison and Analysis.

IV. ORGANIZATIONAL COMPARISON AND ANALYSIS

This chapter provides an organizational comparison and analysis of the former NAVPROs versus the present DPRO organizations. This chapter utilizes information gathered through surveys of Contract Administration process owners, telephone interviews, and information obtained through literature research.

The key differences between Contract Administration methods used by the Navy and DCMC, and the impacts of these differences on Navy customers and industry are analyzed. Key differences between Navy and DCMC organizational priorities, and the impacts of those differences on Navy customers and industry are also analyzed.

Prior to examining key differences in Contract Administration methods, a description of the structures and charters of the NAVPRO and DPRO organizations is appropriate.

A. DESCRIPTION OF ORGANIZATIONAL STRUCTURES AND CHARTERS

1. Naval Plant Representative Office Organization

The Management Manual for Naval Plant Representative Offices Assigned to the Naval Air Systems Command Headquarters prescribed the overall management structure and general functional guidelines for the NAVPROs. The stated purpose of the manual was to implement Navy, Federal and Defense Department:

> ...policies and directives...relative to the assignment, organization, and performance of Department of Defense (DoD) Contract Administration Services (CAS) function. (Ref. 13, p.1)

It should be noted that the NAVPRO Manual included all of the functions traditionally considered to be Contract Administration, as well as such tasks as on-site Program Management and Flight Operations Management in the list of NAVPRO CAS functions. The manual made several general policy statements. These included:

> ...to have a standard organizational structure with defined functions and work tasks. The broad work tasks, assigned to the division level of the NAVPRO, provide an adequate guide to attain compatibility without sacrificing the flexibility requisite to achieve the objectives of each office. (Ref 27, p.1)

The manual essentially required adherence to the divisional structure shown as figure 67, while allowing the NAVPRO Commander some flexibility in how people were used at lower levels. The NAVPRO Commander reported to AIR-519, the NAVAIR code responsible for the performance, personnel/budget support, and CAS policies. NAVPROs were authorized to deal

directly with the NAVAIR Program Managers (PMs) and Procuring Contracting Officers (PCOs) which they supported.

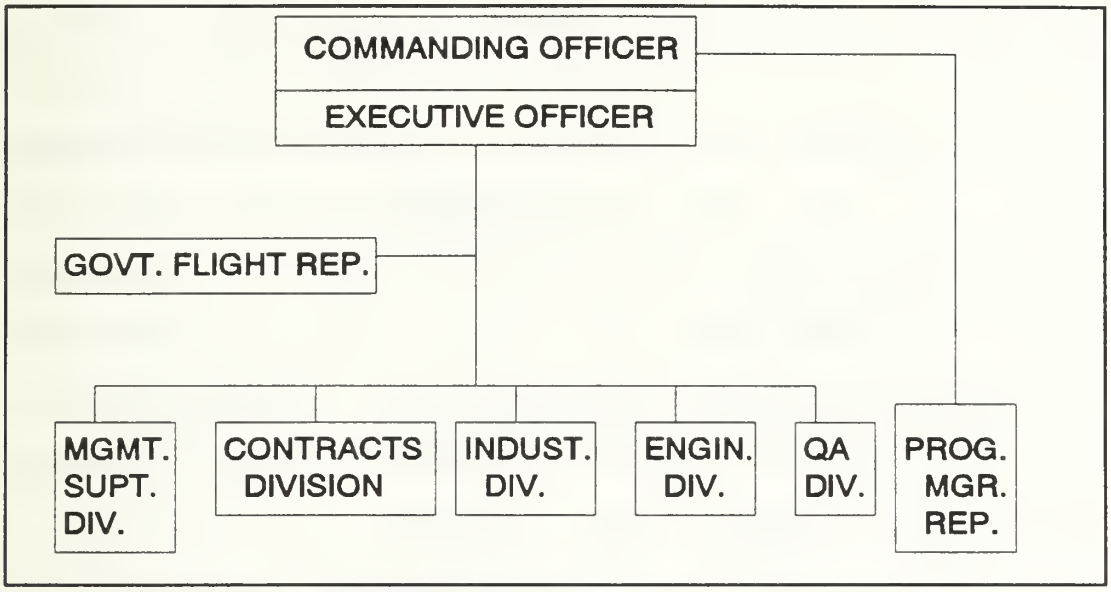

Figure 67 NAVPRO MATRIX

The NAVPROs were required to adhere to:

> ...a concept employing the NAVAIR Program/Functional Matrix Organization within a line and staff structure...Routine work load is processed functionally through both line and staff groups. Program management organizations are superimposed on the basic functional organization for execution of selected priority programs.(Ref. 27, p. 6)

Essentially all divisions, including the Contracts Division were considered line functions, while only the Safety and the Program Manager Representative were labelled staff functions. The NAVPRO Manual gives brief descriptions of each Division Director. The manual tasked the Contracts Division Director with:

> ...interpreting and implementing policies and procedures concerning the administration of the terms and conditions of contracts which affect the contractual obligation of the Government under the FAR, DoD FAR Supplement, and

> other higher level policies. The Director shall coordinate the implementation of these policies and procedures with the contractor and other divisions within the NAVPRO.(Ref. 27, p. 10)

The NAVPRO Manual was not the only operating guidance given to the NAVPROs. Another, much larger (308 page) manual existed. This was the NAVAIR Field Contract Administration Manual, NAVAIRINST 4330.16A. This manual provided specific "contract administration policies and procedures that are not otherwise available in written form." (Ref. 28) This was the primary guidance (aside from the FAR, DFAR and Navy Acquisition Regulations Supplement (NARSUP)) referred to by CAS personnel in making day-to-day decisions.

2. Defense Plant Representative Office Organization

Guidance on Contract Administration procedures is published in the DCMC Contract Administration Manual (DLAM 8105.1). A forward provided in the most recent edition of the manual provides insight into DCMC's objectives:

> The principal objectives of the Defense Contract Management Command are to ensure that only materials and services of the required quality are provided to end item users on time and at reasonable cost to the Government; perform such additional authorized Contract Administration tasks as may be requested by contracting activities and program managers; and achieve uniformity in dealing with industry in the accomplishment of these objectives. These procedures reflect internal DCMC guidance. To provide the full scope of procedural guidance, this manual should be used in conjunction with the FAR and DFARS...(Ref. 29)

Figure 68 diagrams a DPRO organizational structure, including the branches subordinate to the Contract Management Division (Ref. 30, p.VI-2 through VI-5-2). Within a DPRO, the

ACOs work within the Contract Operations Branch. Cost and price analysis is done within the Financial Services Branch. The Program and Technical Support Division performs technical analyses of cost proposals (TACPs), Production Surveillance,

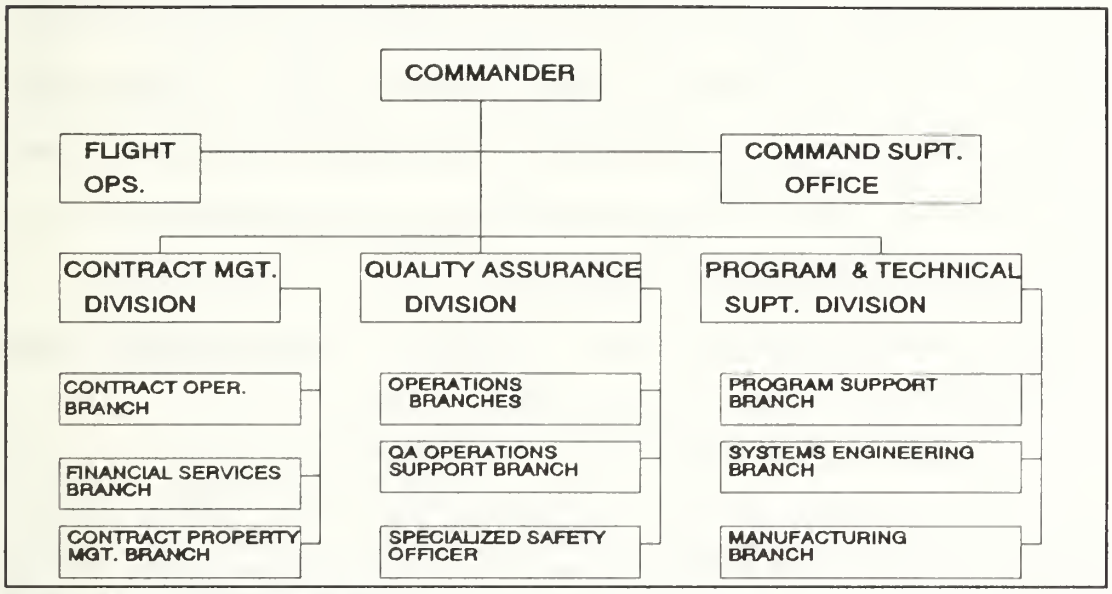

Figure 68 DPRO MATRIX

Cost/Schedule Status Reporting and Program Manager Support functions. Quality Assurance functions such as product acceptance are performed by the Quality Assurance Division.

B. KEY DIFFERENCES IN METHODS AND RELATED IMPACTS

In this section the key differences between Contract Administration methods used by the Navy and DCMC are analyzed. The impacts of DCMC Contract Administration methods on Navy customers and industry are examined. This includes a comparison of the respective organizational structures and personnel roles, operating guidance, MIS/Control Systems and reporting requirements of the NAVPROs and DPROs as a result of the transition. Each of these areas are covered individually in the following subsections.

1. Differences/Impacts of Changes In Structures and Roles

a. Discussion and Analysis of Changes

Since transitioning from NAVPROs to DPROs, each office has consolidated from five major divisions (Figure 67) to only three (figure 68). The roles of individual personnel, as well as roles of the entire organization are changing.

One notable change is that previously, in some of the NAVPROs the warranted personnel who were signing contractual actions were the Contracts Branch Heads. For instance, at NAVPRO Bethpage (Grumman), there were only two individuals (GM-13 Branch Heads) signing actions. Under the new DPRO structure of DCMC, the Branch Heads are no longer functioning primarily as ACOs, but are instead providing management oversight of the branches. In most cases, the warrants have been pushed down to the GS-12 level. This has provided several more ACOs with signature authority than

previously existed. Reportedly, "this provides more time for management functions." (Ref. 31) This supports the stated DCMC strategy of empowering more people. As ordered by the present Commander of DCMC:

> Functional decision-making will be driven to the lowest levels of the organization. We must consciously strive to empower the operational personnel to make decisions which are in the best interest of the Department. To a significant degree, this will require a relaxation of restrictive control mechanisms and an enhancement in the level of professionalism of the workforce.(Ref. 20, p.2)

It appears that, primarily, DCMC is looking for ways to perform with fewer personnel in order to achieve approximately $450 million in savings (over five years) as projected by the drafters of DMRD 916 (Ref. 15, p.1). As the DCMC Commander states:

> One of the driving forces in the implementation of the DMR is the reduction of costs of doing business. In designing the new DCMC, we have consciously sought to provide the necessary resource requirements to perform mission responsibilities while sharing in the budget reductions mandated by the Secretary of Defense. (Ref. 20, p. 3)

Much of the DCMC expected cost savings are derived from future plans to reduce contractor oversight and increase uniformity of field offices, thereby reducing overall DCMC personnel requirements by 2000 work-years (Ref. 20, p.3).

Specific plans being considered for reducing oversight include adopting more "systems approaches" to contractor surveillance (i.e. expanding reliance on approved contractor systems in lieu of Government surveillance), raising threshold requirements and extending intervals for Contractor System/Program Reviews and reliance on contractor

self-governance through use of the Contractor Risk Assessment Guide (CRAG) Program.

The DCMC plans are aimed at:

> ...expanding the use of the systems approach to contractor surveillance, while at the same time placing more of a "customer focus" on surveillance efforts.(Ref. 22, p.5)

An important organizational change is in the tasking of DPRO GS-1102 series Contract Administrators. As an employee of DPRO Grumman puts it:

> ...in the NAVPRO days there were administrators and negotiators (who did their own cost and price analysis) outside the financial services arena. The DLA mindset is to have 1102s who can both administrate and negotiate on the contract operations side...Price analysts are deemed important within DLA...The "cradle to grave" tracking responsibilities are to be an all-hands effort, not just farmed out to the procurement clerk(s) to handle. (Ref. 32)

A DPRO McDonnell-Douglas employee made similar comments:

> It seems that there is a greatly expanded role for the Pricing Branch that's called Financial Services under DLA. (Ref. 33)

These differences in personnel utilization have several potential implications. In the NAVPRO organization, no one was strictly a "Price Analyst" (i.e. doing only price analysis work). Cost and price analyses were done by the same personnel who negotiated/definitized various types of orders. Under those conditions, the ACO was able to decide what work his teams would give priority to, including price and cost analysis. Since becoming DPROs, however, the PROs have reorganized along <u>functional</u>, vice strictly programmatic lines. DCMC places more emphasis on ACO teams with members from several different functional areas such as Financial

Services and Engineering advising the ACO, who makes the ultimate decisions. Within the DPRO, price and cost analysis is now the responsibility of Price Analysts working within a functional branch (Financial Services). It is no longer just the ACO who sets priorities for price analysts, but their own functional supervisors, who may have a separate set of priorities for their subordinates than the ACO. According to early feedback from NAVAIR representatives, this had also impacted the Program Manager's ability to shift ACO work priorities (Ref. 34). In an early survey, one ACO credited the NAVPRO method of having negotiators do all of their own pricing with keeping a manageable backlog of undefinitized orders. He stated however, that:

> Under DLA, that function has been moved to a centralized pricing branch which also performs pricing for FY buys as well as field pricing for other cognizant offices. The time it takes to get a pricing report will only delay negotiations and increase the undefinitized order backlog again. (Ref. 35)

In a DPRO, if an ACO determines that a comprehensive field pricing report is required, a request is forwarded to the Financial Services Branch. According to DCMC guidance:

> In the absence of specified due dates, it is general policy to schedule cases for completion in 30 days if audit is not required, or 45 days if audit input is necessary...the price/cost analyst will consider whether audit assistance is required...The price/cost analyst will determine whether technical assistance is required. (Ref. 29, sections 15.805-6 and 15.805-13)

Whereas the NAVPRO ACO was in complete control of all cost/price analysis efforts, the DPRO ACO must submit a formal request to another branch to perform this effort. Since the

general policy is to complete pricing reports within 30-45 days, by passing the responsibility for cost/price analysis to someone other than the negotiator, the negotiator may lose some familiarity with the case. Definitization schedules may suffer as well. On the other hand, by dividing up responsibilities, personnel may become more specialized and proficient in their specific area.

There is probably some merit to developing specialists in certain Contract Administration functions. The NAVPROs took that approach with regard to Contract Administration versus pure negotiations. Within NAVPRO contract sections there were some GS-1102 series personnel who did purely Contract Administration and others who did primarily negotiations/price analysis (Ref. 31). In many ways that arrangement makes sense. Effective negotiating requires a high degree of skill and experience. It probably helps if the negotiator is free to concentrate on the negotiations without undue interruptions. Pure Contract Administration, however, includes many repetitive tasks more suitable for performance by clerks. Such tasks as reviewing files for physical completion of deliveries, and preparation of statistical management reports are tedious and demand a strong clerical aptitude. Some of the NAVPROs kept these functions separate, however, DCMC combines them.

ACOs reported in early surveys that the NAVPROs were previously required to obtain PCO approval of pre- and post-

negotiation business clearances for amounts exceeding $10 million. Under DCMC, however, all actions in excess of $500 thousand must pass a board of contract review. One ACO feels that: "Since most cases (95%) at this contractor exceed that amount, the board will be another inefficiency or slow down of the process." (Ref. 35)

Some NAVPROs previously reviewed and approved subcontractor plans. The DCMC Contract Administration Manual considers this a PCO function, not to be delegated. (Ref.29, part 19-3 c) A PCO who deals with DPRO Bethpage reported that, since the transition, subcontracting plans were being sent to him for approval. (Ref. 36)

There does not appear to be much change regarding coordination of contractual or programmatic issue resolution. However, now, under DCMC, "...you'd not only coordinate it with your program office, but also, if it's significant enough, the DLA District office may get involved." (Ref. 33) On-site Program Integrators also are brought into certain issues. Until publication of January 1991 update of DLA's Organization of DLA Field Activities (DLAM 5810.1), there had been little formal description of the role of the Program and Technical Support Divisions (Program Integrators). The Program Support Branch, within the Program and Technical Support Division is charged with serving "as the focal point for DPRO technical support to program managers." (Ref. 30, p. VI-5-3)

The Branch is also tasked with ensuring "...effective liaison within the DPRO with other contract management offices, Program Management Offices, and DCMC...."(Ref. 30, p. VI-5-3)

Liaison is accomplished on matters such as:

> ...assignment of weapon system and other program priorities for DPRO support,...roles responsibilities, and assignment of program integrators.
>
> ...DPRO representation at program meetings...
>
> Maintaining liaison with end users regarding performance of delivered products....(Ref. 30, p. VI-5-3)

DPRO personnel say that Program Integrators have always been in the PROs, but they were previously referred to as Program Manager Representatives (Ref. 33) However, the position of "Program Integrator" did not formally exist within the old DCASPRO organizations. According to DPRO McDonnell-Douglas personnel, the Program Integrator "simply assumes the same responsibilities/duties as the old PMR (Program Manager Representative)." (Ref. 35) The PMRs, who were on-site NAVAIR representatives to the NAVPROs, were chartered to:

> ...improve the organizational, business, and technical relationships among the PMA, NAVPRO, and the contractor, and to improve the ability of the PMA to deal directly with problems at the contractor's site....(Ref. 37, p. 1)

Figure 67 shows the PMR reporting to the NAVPRO Commander, however, in accordance with NAVAIR instructions, the PMR actually received a concurrent fitness report from the NAVAIR Program Manager. As stated in NAVAIRINST 5000.10A:

> The PMR will be responsive to the PMA and the CO, NAVPRO and will act as the primary focal point in the NAVPRO for all program matters. (Ref. 37, p. 3)

It appears that a primary difference with the Program Integrator function is that it reports exclusively to the DPRO Commander.

According to the early surveys, most PCOs were unaware of the existence of Program Integrators at the DPROs, although one was and commented: "The integrators are effective in motivating both NAVAIR to respond to the field and vice-versa. A definite plus!" (Ref. 36) Another responded: "To date, I have had no experience in using the 'Program Integrator'. It appears to be a step in the right direction." (Ref. 36) Still another felt the "DPRO Program Integrators are well intentioned but will not be able to motivate/get support from an increasingly insulated/detached DPRO matrix." (Ref. 36) Interestingly, in cases where a DPRO is assigned cognizance of Major Weapon Systems/Programs, the DCMC Contract Administration Manual (DLAM 8105.1) suggests making the ACO the primary point of contact on those contracts for the PCO as well as the Program Manager. Additionally, the manual suggests that the "Major Program" ACO work out a workload prioritization in accordance with the PM's needs. (Ref. 29, p.90.13-2) These are customer oriented policies, however, the policy of establishing the ACO as the primary point of contact for the PM conflicts with another DLA manual (DLAM 5810.1), which, as discussed previously, states that the Program Support Branch (i.e. Program Integrator):

> Serves as the focal point for DPRO coordinated technical support to program managers (Ref. 30, p. VI-5-3)

This conflicting guidance may account for some ACO's feelings that Program Integrators are an impediment. The manuals should be brought into agreement.

Despite some early confusion over the role of Program Integrators, DCMC's establishment of this function may be viewed as an excellent application of their "Best Practices" philosophy, in which one of the best practices of the former NAVPROs (i.e. PMRs) have been incorporated into the DPRO structure.

Another significant change in responsibilities was that the DPROs serving NAVAIR ceased issuing Provisioned Item Orders (PIOs) and Basic Ordering Agreement (BOA) orders for such items as Spares and Repairables. Until the joint Navy/DCMC Master Memorandum of Agreement (MMOA) (Amendment One) of 22 November, 1991, (Appendix A) PCOs had to write such orders themselves, or had to task the on-site Navy Technical Representative Detachment (NTRD) to write them. Formerly, the NAVPRO received requirements under PIOs and issued orders against them. During early research, DPRO McDonnell- Douglas indicated that this problem would have the "biggest impact" on the PCO/ACO relationship. (Ref. 35) In early surveys of PCOs, it was noted that:

> DLAM 8105.1 part 42.2-3 provides that delegations of duties not listed in FAR 42.302 as Contract Administration office duties may not be accepted by Contract Administration offices without Headquarters DLA approval. (NAVAIR) Headquarters policy relating to NAVPROs had set out additional functions not specifically covered under the FAR.

> These included: ....Issue orders under contracts for provisioned and other items, and orders under BOAs;". (Ref. 36)

The role change most frequently mentioned by PCOs during early research regarded the issuance of Basic Ordering Agreement (BOA) and Provisioned Item Orders (PIOs). The EA-6 Program PCO, who works through DPRO Bethpage (Grumman) stated:

> I am fearful that NTRDs will not be able to provide the "coordinated" services that the ACO used to under NAVPRO. Also, NTRDs are not dedicated to specific programs so there could be a reduction in services due to conflicting priorities. Under NAVPRO, the Contract Administrators were dedicated to a specific program. (Ref. 36)

Another PCO noted similar concerns regarding BOA orders by the NTRD: "I have noted several errors in these orders and I believe it is due to lack of training."(Ref. 36) A PCO who deals with Sikorsky Corporation noted that the NTRDs, "Seem not to have support from DPRO or NAVAIR."(Ref. 36) The AV-8 Program PCO, who dealt with an NTRD and DPRO McDonnell-Douglas reported "...not seeing an adverse effect to the PCOs role or to the program." The PCO goes on to say, however,

> There is no guarantee the NTRDs are going to be institutionalized. Program offices are hesitant to pay from scarce program funds for a service which otherwise can be provided by a DPRO or within NAVAIR. In the event the NTRDs dissolve, the functions which the DPRO had once performed as a NAVPRO will likely be burdened upon NAVAIR." (Ref. 36)

There seemed to be common concern among PCOs that many of the functions once performed by the DPROs would become PCO responsibilities, particularly if the NTRDs could not handle them or were dissolved. These concerns persisted until the November MMOA amendment was signed.

The November 1991 MMOA amendment, signed by the Secretary of the Navy and the Commander of DCMC apparently settled many of the issues which had remained since the transition of the NAVPROs into DCMC. Important agreements made by the MMOA are:

- Transfer of 27 civilian billets from the Navy into DLA (former NTRD personnel)

- Delegation of Contract Administration functions not listed as normal delegations under FAR Part 42.302. These include:

I. Issuance of Ceiling Priced and Fully Priced Orders
II. Validation of MILSTRIP requisitions
III. Waivers and Deviations for Minor Nonconforming Supplies or Services
IV. Concurrence in Classification of Class II ECPs
V. Monitoring and oversight of GFM
VI. Witnessing the Contractor Validation of Technical Manuals
VII. Logistics Support

Referring to the accepted delegations, the MMOA states, in part:

> These delegations exceed the traditional Contract Administration Services (CAS) defined by FAR Part 42. They are willingly accepted by the Defense Contract Management Command (DCMC) in the spirit of customer support without intending to establish precedent in a general expansion of CAS functions. (Ref. 38)

The most commonly mentioned DPRO delegation issue in early contacts with PCOs and ACOs was that of PIO/BOA order issuing. The specifics of what the former NAVPROs will do in this regard are detailed in the amended MMOA. Management personnel with NAVAIR and with a major DPRO were contacted and asked whether the order writing issue had been fully addressed by the MMOA amendment. The DPRO manager felt it had fully

addressed the issue. He also felt that the agreement accomplished everything that NAVAIR had wanted it to (Ref. 39). The NAVAIR manager contacted said he thought the MMOA amendment accomplished what NAVAIR had wanted it to. However, he pointed out an interesting side effect which had occurred from the issuance of the MMOA amendment. According to him, the original MMOA had been vague enough, that some of the DPROs which had formerly been DCASPROs, were performing some of the non-traditional CAS functions despite the fact that no MMOA existed addressing these functions. However, once the November 1991 MMOA amendment was signed, some of these former DCASPROs decided to cease performing these functions, citing the fact that the MMOA amendment specified that it was only the former NAVPROs which were bound to perform the non-traditional CAS functions. (Ref. 40)

The following section discusses the impacts of the changes in organizational structures and roles on Navy and industry customers.

b. Analysis of Impacts on Customers

1. Impacts on Navy Customers

Few PCOs reported current impacts from the changes in PRO structure or roles. This is a change from the early surveys. Previously, the largest PCO concern with regard to changing roles and responsibilities involved the issuance of Provisioned Item Ordering and BOA orders. Since DCMC had not accepted responsibility for issuing PIO or BOA orders, the

Navy found it necessary to maintain a contractual presence at the contractor facilities in the form of the NTRDs. Early feedback from PCOs indicated the NTRDs might be ill-prepared for their duties, due to lack of training and experience in issuing PIO and BOA orders. It appeared that the question of whether the NTRDs would continue to exist, or the order issuing responsibility would be passed to either NAVAIR or the DPRO, would have a large bearing on the Navy customer's perceptions of the success of the transition. That issue was essentially resolved by the November 1991 MMOA amendment.

Some PCOs commented in the latest surveys on the confusion over order issuing prior to the signing of the MMOA amendment. Some indicated that order issuing was still a problem. Some PCOs were apparently unaware of the MMOA amendment, or what agreements had been made.

One PCO spoke positively, saying: "The recent DPRO reorganization has also clarified lines of responsibility, has facilitated communications by clarifying lines of authority."

Despite the signing of the Navy/DLA MMOA, many PCOs reported program unique Memorandums of Agreement being drafted. This is a new development since the early surveys. It is probably a positive indicator that the organizations are attempting to further refine respective roles. It is also indicative of attempts to improve communications, which were lacking, according to early PCO surveys.

Despite major role changes in price analysis functions, few PCOs noted any change in the usefulness of field pricing reports from the DPRO. The PCO consensus seems to be that the usefulness of PRO pricing reports has not changed. Despite early ACO predictions of delays due to the new structure for price analysis, one PCO actually felt that DPRO turn-around time was quicker. As another PCO speculated, however, the negligible impact of role changes on PCOs may be attributable to the fact that former NAVPRO personnel, with loyalties to NAVAIR, are still in place.

ACOs listed the increase in contracting warrants and the transfer of price analysis responsibilities as the most key differences in roles and responsibilities. Significantly, when asked what functions had been performed better by the NAVPRO, the largest response category indicated that price analysis by negotiators as a better practice. Reasons given included the fact that by performing the price analysis on a particular proposal themselves, negotiators became much more familiar with the proposal. Others felt a negotiation could be accomplished quicker when the same person controlled the price analysis and the negotiation.

Several ACOs also noted that a key change was requiring ACOs to become involved in performing Contract Administration functions through the use of MOCAS. Referring to learning to use MOCAS, one ACO stated:

> ...a new and time consuming dimension has been added to existing duties...(Ref. 41)

The researcher's opinion is that certain repetitive Contract Administration functions should be segregated, tasking them to administrative specialists. This practice, which existed within NAVPROs, allows the more highly skilled negotiators to concentrate on negotiations. Under DCMC, however, negotiators have taken on clerical administrative duties and Administrators have been assigned negotiations. One ACO noted:

> The ACO was given many new duties and responsibilities with none of the contracts reassigned. The workload is staggering. (Ref. 41)

In the researcher's opinion, such tasking, without regard for the skill level is certain to have deleterious effects on DPRO morale. This philosophy also expects individuals to be competent in too many separate disciplines. Feedback from ACOs in the latest surveys indicated that the MOCAS system is complex and difficult to use, particularly in processing payments. One ACO commented: "...We are slaves to a rigid mechanized system." (Ref. 41) Another ACO stated:

> MOCAS requires too many data bits to be entered into the mainframe...Extreme difficulties getting contractors paid for delivered goods. (Ref. 41)

It is doubtful that an individual can be as competent at both negotiating and MOCAS administration as an individual who specializes in one or the other. Double-hatting personnel, however, could help DCMC rationalize further personnel reductions. Such actions would likely degrade customer support as well.

ACOs are possibly in the best position to predict future impacts on their customers. Interestingly, ACOs provided more feedback on possible impacts from role changes than did PCOs. In recent surveys, some ACOs predicted positive impacts on their customers, citing such factors as "Clearer, more definitive guidance...provided in DLA manuals and regulations." (Ref. 41) These ACOs also listed as positive changes for their customers that DCMC administration methods are: "...more defined and better structured than NAVPRO methods..." (Ref. 41) Although several ACOs listed such factors, they did not specify how these changes would actually help their customers. It appeared that what many of these ACOs were saying was that DCMC structures, roles and responsibilities would have positive impacts for the ACOs themselves. These responses could also indicate that since ACOs will be less pressured with "crisis management" as many NAVPROs reportedly were, the ACOs will be able to get more organized, thereby enhancing their ability to support customers.

There were also many ACOs who felt that there are negative impacts on customers due to DCMC structure, role and responsibility changes. These ACOs were more specific as to the impacts. A representative example is one who stated:

> Increased paperwork and reporting requirements take more time away from the support I can provide to my program. (Ref. 41)

Based on the types and numbers of responses, there appear to be many more demonstrations of negative impacts on Navy customers from changes in structure, roles and responsibilities than positive impacts. Many PCOs do not seem to be aware of the dramatic role changes which have occurred within the PROs. Many had not perceived significant changes in interactions with DPRO personnel since the beginning of the consolidation. This may be due to the fact that many PCOs are interacting with the same personnel within the DPRO as they did prior to the consolidation. In the researcher's opinion, PCOs have simply not yet felt the negative impacts of structure and role changes due to the momentum from the previous relationship. As one PCO put it:

> None yet, NAVPRO personnel are still in place. Over time, loyalty to NAVAIR will dissipate. (Ref. 48)

This "dissipation of loyalty" may be exacerbated by the fact that, as DPROs load more of their contracts into MOCAS, reporting requirements will demand increasingly larger shares of an ACO's workday.

Perhaps if functions represented by the Program Integrators continue to gain prominence, they can offset the effects of personnel reductions. Early surveys revealed a lack of PCO familiarity with the Program Integrator function or doubts that the function would result in much change. ACOs also noted little impact from the establishment of the function, commenting that Program Integrators were essentially Program Manager Representatives (PMRs) under a new name.

Since finding that Program Integrators actually have little interaction with PCOs, only ACOs and PMs were questioned about them in the latest surveys. Again, many ACOs viewed Program Integrators as a new name for PMRs. The largest response categories characterized their interaction with Program Integrators as minimal, and impacts of the function on program support as minimal (or neutral). Some actually discussed what they felt were negative impacts of the function on program support. The nature of the responses seemed to vary with the individual DPRO. This may be due to the level of importance historically accorded to the function in each PRO. Although few ACOs discussed negative impacts regarding Program Integrators, many of the "no impact" responses indicated problems, as well. Some commented that under DCMC they are required to submit additional reports to the Program Integrators. The negative responses may arise from a feeling that the Program Integrator is meddling in the ACO's area of responsibility. As one ACO put it:

> The program integrator in a sole source environment just gets in the way of the ACO when he or she is taking contractual action. (Ref. 41)

The Program Integrator fulfills an important role as a liaison between the DPRO and the Program Manager. Many ACOs feel they can fill this role themselves, but that may become increasingly difficult as reporting requirements and administrative tasks are increased. The liaison function requires time to travel and attend meetings with Program

Offices. Unlike the latest ACO feedback, the PM surveys reflected no negative opinions regarding Program Integrators. The ACO and PM responses were similar, however, in the fact that both seemed to regard the Program Integrator position as a continuation of the NAVPRO Program Manager Representative (PMR) function. The important fact is, from the customer's perspective, Program Integrators are having a positive impact. But, until ACOs can view them as beneficial members of the acquisition team, the overall impact to the customer can not be viewed as entirely positive. Perhaps DCMC should implement changes to the Program Integrator/ACO interface with this objective in mind. There are other indications that the concept of teamwork has deteriorated. When the Commandant of the Defense Systems Management College was asked if the consolidation of the NAVPROs into DCMC is going to impact NAVAIR, he replied: "Absolutely." He had heard from PMs, that: "Program teamwork is breaking down." His view is that we may see some negative effects of the consolidation in a few years.(Ref. 52) Significantly, one of the PMs surveyed made a similar comment, stating:

> The levels of communication and teamwork have decreased. (Ref. 43)

To summarize this section, in the researcher's opinion, the structure and role changes which have occurred will inevitably result in negative overall impacts on Navy customers. Some of the impacts which have not yet become apparent to customers will likely begin to emerge over time,

especially as Defense Department resource levels continue to decline. More negative impacts will emerge as former NAVPRO personnel turnover, and new DPRO personnel give increasing emphasis to DCMC management objectives. Navy customers will likely also see support degraded as a result of DCMC reductions in DPRO personnel levels, based on plans to reduce contractor oversight. These negative impacts may be mitigated if Navy customers and DCMC strive to communicate their respective needs and constraints. Through cooperative efforts, such as joint Process Action Teams, the roles of available personnel assets may be optimized.

2. Impacts on Industry Customers

The new Commander of DCMC sees industry "... dealing with <u>one</u> organization that offers uniform policies and procedures."(Ref. 4, p. 20) Despite this worthy goal, the transition actually resulted in some contractors dealing, temporarily, with <u>more</u> Government offices than before the change. These offices were the Navy Technical Representative Detachments (NTRDs), which have since been dissolved. Interestingly, one recent industry response alluded to the possibility that the NTRDs had more of a "vested interest" in supporting NAVAIR. This is significant, considering the concern NAVAIR had with the functions which the NTRDs were performing.

When industry personnel were asked whether the CAS consolidation benefited their companies, the largest

single response category reported no benefits. However, there were several industry personnel who reported benefits, with the largest category being those who indicated that dealing with a single CAS structure is better than having to interact with multiple structures.

Notable concerns expressed by industry which related to structural and role changes included:

1) Greater use of Contract Review Boards by the DPRO;

2) timeliness of negotiations;

3) concern that ACOs have less latitude under DCMC;

4) possible replacement of the DPRO Commander with an officer from a Service other than Navy.

Industry personnel were concerned that they may be negatively impacted if DCMC Contract Review Boards frequently overturn ACO decisions. That possibility seems likely, especially since DCMC review thresholds are lower than those of the former NAVPROs. The early ACO survey also indicated that under DCMC rules, most actions would have to be reviewed by a board, resulting in delays. Therefore, the likely impacts to industry of overturned ACO decisions, combined with delays in board decisions, will be increased costs of updating and renegotiating proposals.

Industry also expressed concerns about the timeliness of negotiations with DPRO personnel. This is considered significant, since delays in negotiations may result in the need for costly proposal updates. Delays may also impact Navy program schedules. Industry concerns were

also expressed that DPRO ACOs have less latitude than the former NAVPRO ACOs. If ACOs actually are more constrained under DCMC, this could also cause negotiation delays. Despite these concerns, the most common industry response regarding timeliness of negotiations indicated that improvements had occurred. This was surprising, especially since many ACOs viewed the separation of negotiating and price analysis functions as a factor which delayed negotiations. Perhaps the industry perception of more timely negotiations is a result of the increased numbers of warranted personnel within the DPROs. By empowering more personnel with warrants, there is probably less delay involved in obtaining Contracting Officer signatures on completed negotiations. Overall, the impacts related to negotiations have been favorable.

Several industry concerns seemed to highlight the importance of continuing communications between industry, the Navy customer, and the DPRO. These concerns included the eventual possibility of the DPRO Commander being replaced by an officer of a Service other than the Navy. Significantly, there was strong consensus among PMs that the DPRO Commander should remain a Naval Officer. If this role change occurred, communications between industry, the DPRO and Navy customers could be degraded, causing some industry confusion. There were related industry concerns regarding the quality of communications between the DPRO and NAVAIR, since they are no longer part of the same agency. One contractor was hopeful

that the company would not receive "mixed signals" from the Navy customer and DLA. There had not been any significant impacts resulting from a lack of communications. Yet, one industry respondent stated:

> The writer is not aware of any substantive briefing by the affected Government agencies. Such a briefing would presumably indicate differences in internal and external policies and procedures...(Ref. 44)

Program Integrators, if used as liaisons, should help avoid the potential negative impacts of communications shortfalls between industry, the Navy and the DPRO. As one contractor said, referring to the value of Program Integrators:

> The Program Manager role in NAVPRO is important. DPRO should, and is retaining this important function."(Ref. 44)

To summarize this section, industry does not appear to have suffered any significant negative impacts from changes in structures and roles. Surveys of industry personnel indicate a slightly positive impact on the timeliness of negotiations. The potential for negative impacts is greatest in the area of communications. A primary role of Program Integrators should be as catalysts for continuing communications between the DPRO, Program Office and the contractor.

2. Differences/Impacts of Changes in Operating Guidance

a. NAVPRO Operating Instructions

Prior to the transitioning of NAVPROs to DCMC, the governing instruction for NAVAIR/NAVPRO interaction was the Management Manual for Naval Plant Representative Offices Assigned to the Naval Air Systems Command Headquarters. (Ref. 27) This instruction was not specific regarding PCO/ACO relationships, except to list general work tasks expected of the NAVPRO. Contracts Division tasks required by NAVAIRINST 5000.6B included:

> CAS functions under the assigned mission and responsibilities contained in the FAR and Navy directives,..., in addition to contractual terms and conditions imposed by the procuring activity. (Ref. 27, p. 3)

The NAVPRO tasks also included on-site program management. One particularly NAVPRO unique feature, as opposed to the former DCASPRO type organizations, is that the NAVPRO Manual required that NAVAIR Program Management organizations be "superimposed on the basic functional organization for execution of selected priority programs."(Ref. 27, p.6) The NAVPRO Manual seemed to give NAVAIR authority to set priorities for NAVPRO personnel, including the ACOs. It was geared exclusively to the NAVPROs and their functions. The NAVPRO Manual attempted to provide general guidance on most aspects of PRO Contract Administration, including general procedures to follow in performing technical evaluations of proposals and field pricing reports. The key distinguishing characteristic of the

NAVPRO guidance was contained in a policy statement which stated that the purpose of work descriptions in the manual were to:

> ...provide an adequate guide to attain compatibility without sacrificing the flexibility requisite to achieve the objectives of each office.(underline emphasis added) (Ref. 27, p.1)

Allowing each NAVPRO the flexibility to deal with situations unique to individual offices and programs was important to NAVAIR.

b. DPRO OPERATING INSTRUCTIONS

Under DCMC, all DPROs must operate within the guidelines of DLAM 8105.1, the recently revised (Oct 1990) DCMC Contract Administration Manual. In contrast to the NAVPRO Manual, The DCMC Manual is intended for use by a wide variety of DCMC Contract Administration activities, each having different functional charters. These include DCMC District offices, Management Area Offices, Plant Representative Offices and Residencies. The DCMC Contract Administration Manual only provides very general procedural guidance in areas such as technical evaluations or field pricing. The DCMC Contract Administration manual tends to reference other, much more specific sources, such as the Contract Management Engineering Manual (DLAM 8400.2) or the Armed Services Pricing Manual (ASPM). This differs from the NAVPRO Manual, which seeks to provide general guidance in one manual, without reliance on other manuals. The guidance provided in the DCMC Contract Administration Manual can be

characterized as primarily concerned with administrative interactions between Contract Administration functional areas. The DCMC manual concentrates on when certain actions are to be taken, who is to be notified, how long specific reviews should take and other systemic issues. As one PCO put it, "The Contract Administration Manual used by DLA provides an internal focus to the Contract Administration process." (Ref. 36)

Despite this decidedly internal focus, DCMC emphases on customer support are evident. In one section, the manual discusses the responsibilities of the ACO to maintain liaison with the PCO and Program Manager. The manual strongly emphasizes the requirement for ACOs to:

> ...keep the PCO advised of required contract status and potential major problem areas as he is made aware of the problem,...(Ref. 29, p. 90.13-1)

It also requires the ACO to:

> ...ensure that all reports to be prepared by the contractor, in accordance with the terms of the contract, and other authorized reports are properly evaluated and forwarded to the PCO in a timely manner.(Ref. 29, Ibid)

As noted previously, in cases where a DPRO is assigned cognizance of Major Weapon Systems/Programs, the manual suggests making the ACO the primary point of contact on those contracts for the PCO as well as the Program Manager. Direct and continuing rapport between the ACO and PM is also recommended. (Ref. 29, p.90.13-2)

To summarize, DPROs are guided by the DCMC Contract Administration Manual (DLAM 8105.1). This manual focuses

primarily on the internal activities of DCMC. It provides a structured approach to Contract Administration by referring to other DLA manuals for specific procedures. Unlike the former NAVPRO manual, what the DCMC Manual seeks to achieve is not flexibility, but uniformity.

c. Analysis of Impacts on Customers

1. Impacts on Navy Customers

Several PCOs reported no significant impacts from the operating guidance employed by the DPROs. They did note, however, that the DPRO methods seemed more structured, and less "ad hoc" than the methods formerly used by the NAVPROs.

The most significant impact which related to operating guidance concerned the frequency with which system reviews are performed by the DPRO. DCMC has been evaluating plans to significantly reduce oversight within plants (Ref. 21, p.4). For instance, Contractor Purchasing System Reviews (CPSRs) have been extended from annually to every three years (Ref. 21, p.4) According to NAVAIR management, this is not frequent enough. NAVAIR had considered the annual CPSRs very important, since purchases accounted for 50% to 75% of total costs (Ref. 45) Similar concerns over CPSRs were reported by PCOs in the latest surveys. The fact that CPSRs will be conducted less frequently may result in less efficient contractor purchasing systems. This may result in the Navy customer paying more than necessary for purchased parts during a period of rapidly declining resources. It may also require PCOs to spend more time preparing for negotiations, since the contractor purchasing systems may be suspect. Despite DCMC intentions to maintain a high level of customer support, it seems very likely that such actions could only degrade it.

2. Impacts on Industry Customers

Several PCOs and ACOs surveyed felt that industry would probably benefit from the fact that DCMC would operate and administer contracts according to uniform rules and procedures. Most PMs did not feel that industry had benefited from the transition. Some of the industry personnel who expected their companies to benefit from the CAS consolidation cited the standardization of policies and procedures as the primary benefit. These industry personnel felt that more consistent, uniform procedures, and fewer agency unique priorities would have positive impacts on all of the Service programs they managed. As one industry respondent put it:

> ...The NAVPRO was different from the AFPRO which was different from the DCAS. Having all DPROs, standardizes the language and the operating procedures/policies, making the conduct of business more consistent. (Ref. 44)

Overall, industry appears to have experienced positive impacts from the fact that DCMC's operating guidance will now be the standard for all PROs.

3. Differences/Impacts of Changes in Management Information/Control Systems

A very key difference exists between the way Navy management tracked Contract Administration actions and "key indicators" and how DCMC manages the workload. Behind the difference is DCMC's automated information system called the Mechanization of Contract Administration Services (MOCAS) system and Management Information Reports (MIRs).

a. The MOCAS System

The MOCAS database was brought on line in 1965, shortly after the creation of DCAS. MOCAS was developed as a means of processing the internal transactions of DCAS Regions. It provided detailed visibility of the status of a contract from award through closeout. Prior to the development of MOCAS, each military Service operated separate, unique Contract Administration databases. These systems were oriented primarily around the use of ADP punch cards. During the process of consolidating most Contract Administration into the DCAS organization, the separate Service systems were evaluated for usefulness. The Air Force system (called the Program for Improved Central Procurement) was chosen as the foundation for the new DCAS system. Initial improvements sought to convert from a card operated to a tape operated system. (Ref. 9, p.9)

The existing MOCAS tracks funding status, progress payments, invoice disbursements, quality assurance information and deliverables status.

According to the management in one DPRO,

> MOCAS forces the discipline of closing out a contract within FAR-mandated requirements. If that doesn't happen, DCMCN and DCMC will notice such deficiencies on monthly Management Information System Reports (MIRs) and related MOCAS reports. **NAVPRO had no such database system**.....you have to play by the rules of MOCAS if the contractor is to get paid. Unit prices, invoice/DD250 format and unit/extended prices have to agree with what is in MOCAS or no payment occurs. 42 such fields have to match up for an invoice to be paid....A contract is built into the database by DCMDN, with Contract Line Item Numbers (CLINs), Sub-Line Item Numbers (SUBLINs), and Equipment Line Items Numbers (ELINs) breaking down deliverables. Money is attached to such items. Any monetary changes require a SF30 modification document to be cut. A labor-intensive process....PCOs have to understand how to cut a MOCAS-compatible contract from moment 1, lest the people in the field have to cut endless mods to build in CLINs, SUBLINs, and ELINs the proper way. (Ref. 46) (underline emphasis added)

Similarly, a DPRO McDonnell-Douglas manager noted:

> MOCAS is definitely a difference from our way of doing business before...We have about 10,000 contracts here, on hand. Prior to MOCAS everything had to be manually closed. There was no way to close out a contract until somebody manually touched it. Under MOCAS a large portion of the contracts should automatically close through the MOCAS system without any hands-on ACO effort. Currently we only have about 2,500 contracts on MOCAS. Eventually all the contracts will be in MOCAS...they are going into the MOCAS system at the rate of 2,000 to 2,500 a year. But we have some old contracts that will probably remain outside MOCAS for a number of years. This will probably be some of the older contracts and some of the big production contracts that were let prior to us becoming a DLA or DCMC organization. (Ref. 33)

Comments made by a DPRO McDonnell-Douglas ACO reflected concern that DCMC has applied the MOCAS system without regard to the differences in size and types of contractors previously administered by NAVPROs:

> ...the DLA organization was designed and built over the years around dealing with multitudes of small contractors that might have high probability of going under before they

could perform a contract...and I haven't seen any accommodation in their system for the differences. There have been many positive points discussed about MOCAS, but on the down-side, it tracks every little nit. Things that you would not normally have to know in the course of administering contracts. We get reports out of MOCAS that say, such and such contract has labor provisions. Under the MOCAS system they've incorporated progress payments being paid automatically by the payment office. In concept that's very good, in reality it's very slow to take place. We're having a lot of problems with it. (Ref. 33)

This same ACO sees the big change in Contract Administration methods as being "MOCAS and the things you have to do to maintain the MOCAS". He feels that the reason for the Navy and DCMC having these different methods is:

The different environment these methods were established under. DCMC being really, in essence DLA by another name, grew up in the environment of having to deal with multitudes of contractors, rather than focusing on just the one. (Ref. 33)

A DPRO employee in charge of contract closeouts seemed more positive, adding these comments on MOCAS:

...It has increased the workload. One factor is the learning factor. The learning curve is pretty steep. People are still learning how to use it. It is enhancing in one aspect because of the fact that everything is loaded into a database, whereas it wasn't always that case before. So, from that standpoint it makes things a lot faster because the contracts that are in MOCAS you have a lot better visibility of. Whereas, on the other hand, when we were under Navy, we still utilized computer systems for some of the things we're doing now, but, we had a lot more manual operations involved. MOCAS is one of the major differences I think you'll find throughout the division. What MOCAS will do for us as far as closeout is it will maintain the visibility of the contract. Whereas before there might have been a tendency because of the number and because of the manual intervention that the contract could be lost. But with MOCAS, the visibility of the contact is maintained because all of the funding documents and anything that has to do with funding...has to go through the pay officer. So you won't have the funds tracking problems that we experienced under the Navy.

> You also have visibility of the contracts that are not being closed out within the FAR required time-frame. (Ref. 33) (underline emphasis added)

In addition to increasing the workload at the PROs, MOCAS evidently is also impacting the work of PCOs. As one PCO reflects,

> There are differences in processing acceptances through the MOCAS system. We are also being forced to use ELINs for our exhibits. (Ref. 36)

On the positive side, a DPRO manager notes:

> The DLA mindset is to have an ACO team perform cradle-to-grave contract management. A very good idea since people tend to want to wash their hands of contract closeouts and other necessary "dirty work"...MOCAS requires and enforces that discipline. Delivery surveillance is an area that NAVPROs were weak on. They would surveil the big-ticket items but not the smaller buys. As a result, contract closeouts were made all the more difficult. (Ref. 46)

The implementation and use of MOCAS seems to be one of the most controversial changes facing the PROs. One reason for MOCAS implementation in the new DPROs is that it had already been used for many years by DCAS. The mandated rapid absorption of the Service PROs into DCMC did not allow time for development of new systems. An aggressive drive by DCMC for uniformity among the PROs is evident in implementation correspondence (Ref. 47).

Perhaps some consideration should be given to whether the pre-existing MOCAS system is appropriate for the large scope and type of operations of the former NAVPROs.

b. Analysis of Impacts on Customers

1. Impacts on Navy Customers

There were very few comments from PCOs or PMs regarding impacts from DCMC MIS/Control systems. Early PCO surveys revealed the fact that accommodating MOCAS requirements in writing contracts was causing PCOs some additional work. PCOs were also becoming cognizant that MOCAS maintenance was a priority within the DPROs. In the latest responses, one PCO listed MOCAS as a negative impact, saying:

> Key impact has been introduction/mandate of MOCAS in paying contractor - has caused more work, confusion and little value added. It also increases costs in re: implementation. (Ref. 48)

Several ACOs reported in the latest survey that they were able to provide better Contract Administration, such as tracking the status of funds and deliverables, to their customers through the use of MOCAS. They reported that this results in better identification of excess funds for the use of Navy customers. Conceivably, the identification of excess funds may also benefit industry, although this was not mentioned by industry personnel. In the same survey, several ACOs expressed negative opinions toward MOCAS, indicating that it required too much data entry, made contractor payment difficult, and consumed time which could have been spent in direct support of customers. They suggested that MOCAS was not "user friendly" and should be updated or replaced by a better system.

Industry feedback suggested that if MOCAS were to become useful it would require more intensive labor within the DPRO.

In summary, it seems that the only Government personnel pleased with the MOCAS system are some of the ACOs. Many of the ACOs feel that the system requires an inordinate amount of their time. Some PCOs also feel there is little value to the system. Although it has positive implications, it also diverts labor to its own maintenance. It enhances close-out efforts, but if that had previously been important to the Navy, certainly they would have established a similar system. In the researcher's opinion, due to the considerable amount of DPRO time required for its maintenance, MOCAS will cause Navy customers more negative impacts than positive.

2. Impacts on Industry Customers

Most of the NAVPROs could quickly process progress payment requests on site, however the DPROs must now process them through MOCAS. In the early surveys and the latest surveys, ACOs expressed concerns regarding the impacts of DCMC systems for contractor payment. Early feedback from DPRO Grumman noted that Grumman had some concerns with DCMC's "...ability to turn around progress payment requests and invoice billings in a timely manner." (Ref. 32)

Early PCO surveys indicated that contractors were concerned about prompt payments but had not yet had any complaints.(Ref. 36)

In the latest surveys, PCOs did not mention any complaints from contractors regarding payment by MOCAS. Although PMs did not specifically comment on the new payment system, most PMs felt that contractors had not benefited from the transition. One PM observed:

> From what I've seen, the contractor experiences much frustration in trying to do business with the DPRO. (Ref. 43)

In the latest ACO surveys, some ACOs felt that the payment office organization and service had improved since consolidation under the Defense Finance and Accounting Service (DFAS), which is linked to the MOCAS system. One ACO lauded the fact that progress payments, which were formerly accomplished manually, may be automated through the use of MOCAS. Several other ACOs, however, reported slowness and difficulty in accomplishing contractor payments under MOCAS. One ACO commented:

> The payment process has been slowed. It takes longer for a DLA payment office to process an invoice than their Air Force/Navy counterparts. (Ref. 41)

Three of the four contractors surveyed reported some form of payment problems related to MOCAS implementation. The fourth, G.E. Aircraft Engines, praised the system, reporting that payments were more timely and that the system allowed for electronic invoicing. Other industry personnel gave specific examples to illustrate the relative slowness of payments under MOCAS, as opposed to the former NAVPRO payment system which made disbursements on-site.

The increase in payment processing time was dramatically illustrated by one industry comment, which stated:

> Invoice payment prior to the MOCAS implementation averaged 10 - 20 days, after implementation, the average was 80 - 100 days. Recently, a meeting between MCAIR and the Government resulted in an agreement for payment in 27 - 30 days.(Ref. 44)

Another contractor commented:

> ...Grumman is experiencing significant delays in payments with average payment increasing from two days to a current two weeks....(Ref. 44)

It is obvious that the implementation of MOCAS has had negative impacts on some contractors. And, as a DPRO manager pointed out:

> ...This contractor sweats bullets over cash flow and the time value of money, as I'm sure others do....(Ref. 32)

Cash flow problems can impact a contractor's credit ratings, decreasing its attractiveness to investors. It appears that the payment functions of the MOCAS system have benefits to offer, however, for the most part contractors seem to be viewing this new system as having negative impacts on them.

4. Differences/Impacts of Changes in Reporting Requirements

a. Discussion

The NAVPROs were previously required to submit reports similar to some of those required by DCMC. These included such inputs as Contract Closeout Reports and Open Audit Reports. According to NAVAIR management, however, there was "...nothing as voluminous as DCMC has." (Ref. 45) in the way of reporting requirements. One DPRO manager commented regarding NAVPRO reporting requirements under NAVAIR: "They required few management reports, all in all. The ACO Activity Report was the key report they looked at." (Ref. 46) This report consisted of three sections, which filled about three pages. In short, the monthly report was a very brief summary and showed a strong NAVAIR management interest in the dollar volume of overaged Undefinitized Contractual Actions (UCAs) and negotiation decrements. The concern with UCAs is explained in a 1988 NAVAIR instruction. The instruction notes that:

> The use of undefinitized contracts is not good business since the contractor bears minimum cost risk and operates in a cost-plus mode until negotiations are complete. (Ref. 49, p.1)

NAVAIR was reacting to greater focus and direction from higher levels on the issue of UCAs. DOD FAR Supplement 17.75 was issued, requiring that limitations be placed upon the use of UCAs. Of course this policy applies to DLA activities as well.

When questioned about the present volume of reporting requirements, DPRO personnel indicated that their reporting requirements had:

> ...grown quite significantly under DLA. We have the MIR (Management Information Report) that we never had to do before. We have a CAR (Contract Administration Report) Prime and Support Contracts report that we never had to do before. These are all monthly, by the way. And then we have follow-up reports explaining why we can't meet the "bogies" on a monthly basis also, which have been established by DLA. (Ref. 33)

DPRO McDonnell-Douglas personnel point out, however, that much of the required reporting data is in fact generated by the MOCAS system. However, since most of their contracts were not yet in the MOCAS database, they were maintaining two separate systems in order to provide the report data. This had necessitated adaptation of a locally developed Contract MIS system which they had used previously for NAVPRO internal purposes. They use this old system to provide the reporting data for the old contracts, and the MOCAS for newer contracts.

b. Analysis of Impacts on Customers

1. Impacts on Navy Customers

The MIR requires input of hundreds of types of data on management functions in contracts, production and engineering. The DCMC District Offices, which receive the reports from the DPROs are apparently primarily concerned with the numbers of contracts past-due for close-out (by FAR standards), unfinished pricing cases older than 45-60 days and undefinitized orders older than 180 days. Apparently, all of these data reports help the District Offices manage the

Districts. Early DPRO feedback contained little information regarding the effects of increased reporting requirements. However, in the latest ACO feedback, several ACOs indicated that increased reporting requirements had in some way degraded their abilities to support customers. One ACO summarized what he viewed as an impact on customer support by stating:

> Increased paperwork and reporting requirements take more time away from the support I can provide to my program.(Ref 41)

Another ACO, referring to changes in his entire workload since the NAVPRO became a DPRO, stated:

> The ACO is now responsible to do everything...The workload is staggering.(Ref. 41)

Another ACO commenting on Program Integrator functions, stated:

> ...now they too have additional reporting requirements the ACO must get involved in.(Ref. 41)

Another ACO added,

> There are now more formalized reporting requirements which provide more up-to-date information on the program. (Ref. 41)

A DPRO manager made a significant point, stating:

> ACOs see themselves being taken away from their prime functions in order to work on monthly reports to DLA. The customer could care <u>less</u> about DLA's reports - they just want Helos/parts. (Ref. 41)

Surprisingly, despite the significant impacts indicated by some ACOs, there is little PCO or PM feedback which directly identifies changes in ACO reporting requirements as a problem.

The only PCO feedback which directly commented on DPRO reporting requirements was in an early PCO survey, in which a PCO commented:

> ...The DLA management reporting systems "grade" ACOs on the time required to accomplish various Contract Administration actions and not on the level of support provided to PCOs and Program Offices. (Ref. 36)

PMs were asked to rate their agreement level with the statement:

> DCMC program reporting systems are at least as useful as the former Navy systems were to my Program Office.

Most of the PMs who responded to this question agreed with it. However, some PMs indicated they had not seen any DCMC reports. Others reported that there was simply no change. This suggests that most of the DPRO reports, including Program Integrator reports, are primarily for the purpose of providing management statistics to DCMC, and, that PMs apparently weren't seeing many reports from the PRO to begin with. Indeed, one PM noted that there is little visibility of the reports at the PMA level. The fact that there were a variety of PM agreement levels expressed may also indicate some variance among the DPROs in reporting methods. Interestingly, one PM felt it was too early to rate DPRO reporting due to the small amount of correspondence available to base an opinion on.

It appears that DCMC has significantly increased the amount of information routinely required from the PROs, however Navy customers have not yet noticed a direct impact on

their support. When asked how they manage to do all of these reports with the same level of personnel, one DPRO manager responded:

> It's one of those things that you learn how to do it regardless. Something else obviously suffers. It may be one of those things that is a totally "domino effect" and the thing that actually suffers is then tripped by several other intervening activities. (Ref. 33) (underline emphasis added)

As in the case of MOCAS maintenance, labor is diverted from previous uses to assemble the reports. The researcher expects an indirect degradation to the previous level of customer support in the future.

2. Impacts on Industry Customers

The surprising fact that some industry personnel were concerned about the effects of increased ACO reporting requirements was considered significant. Some felt that this might cause timeliness of negotiations to suffer, as well as reducing the time available for other actions. This concern may relate to one PM observation which stated:

> From what I've seen, the contractor experiences much frustration in trying to do business with the DPRO. (Ref. 43)

This "frustration" may stem from the DPRO emphasis on definitizing all actions within the FAR prescribed 180 day time-frame. DPROs must make periodic reports to DCMC Districts on their achievement of definitization timeliness goals. In the researcher's opinion, due to this emphasis, DPRO management is probably exerting continuous pressure on industry management to help keep average definitization

statistics within these timeframes. At the same time, DPRO negotiators may be unable to negotiate on a continuous basis, due to frequent reporting requirements. Industry negotiators, anxious to help meet the 180 day Government goal, must then contend with conflicting reporting responsibilities on the DPRO negotiator's desk.

In summary, the primary impact of increases in Government reporting requirements on industry is frustration in trying to meet DCMC definitization goals, while DPRO negotiators are busy with new reporting requirements.

C. KEY DIFFERENCES BETWEEN NAVY AND DEFENSE CONTRACT MANAGEMENT COMMAND ORGANIZATIONAL PRIORITIES AND RELATED IMPACTS

1. Discussion of Early Research Findings

The Commander of DCMC has issued a multitude of strong personal policy statements emphasizing the importance of customer support. In one such memorandum to the DCMC Districts he stated:

> I want each of you to be particularly sensitive to the image that we project as a Command that is responsive to the needs of its customers. Accordingly, when issues arise concerning the appropriateness of CAS delegations, I reserve the right to be the only one in DCMC who can turn down such a customer's request. (Ref. 50)

It is obvious that the DCMC Commander is committed to providing PCOs and PMs with the best service possible within personnel and resource constraints. That philosophy, however, may be in conflict with some DPRO policies which were carried over from the DCAS organization.

Early feedback indicated that ACOs had seen a shift in priorities since becoming part of DCMC. The number of definitizations, rather than overall dollar value completed seemed to be receiving more attention. DPRO feedback indicated that NAVAIR had dollar goals for contract closeouts, rather than numbers of contracts. DPRO McDonnell Douglas reported a "drastic change in goals."(Ref. 35) DPRO Bethpage also reported seeing a "A big focus by DCMC on quantities rather than dollar value of transactions." (Ref. 32) A DPRO McDonnell-Douglas manager pointed out that the age of undefinitized actions was also important to DCMC's

prioritization of work. He noted that,

> ...Under DLA's bogie system, a $500.00 order 181 days old will receive more emphasis than an order worth $5,000,000.00 that is 60 days old. (Ref. 35)

In referring to the DPRO priority system, one PCO stated:

> The ACO is required to prioritize on a first-in first out basis. Apparently all actions have the same importance. (Ref. 36)

Early surveys revealed that other PCOs were also aware of priority shifts within the former NAVPROs. One PCO stated:

> In the short term, the DPRO workforce continues to have an affinity for NAVAIR priorities, however this can be expected to dissipate as DLA management asserts itself. (Ref. 36)

Another PCO added:

> The DLA management reporting systems "grade" ACOs on the time required to accomplish various contract administration actions and not on the level of support provided to PCOs and program offices. The Contract Administration manual used by DLA, DLAM 8105.1 provides an Internal focus to the Contract Administration process....Meeting the DLA management goals is now the primary focus."(Ref. 36) (underline emphasis added)

Still another PCO reinforced this attitude, affirming that priorities have changed at the PRO and that "The MOCAS input is definitely a priority".(Ref. 36) Early surveys also revealed that reporting requirements were becoming a high priority.

Early feedback revealed the emergence of three fundamental DPRO areas in which priorities had changed. They included the new emphasis on maintenance of the MOCAS system, associated reporting requirements, and the DPRO method of prioritizing workload. The MOCAS system and the new reporting

requirements were discussed in the previous two sections, along with their related impacts. This section focuses primarily on another significant change in priorities, from the perspective of Navy customers, which is how DPRO contractual actions are prioritized. A comparison and analysis are made of NAVPRO and DPRO areas of major emphases, respectively. This is followed by a summary and analysis of the impacts reported in the latest surveys.

2. Analysis of Naval Plant Representative Office vs Defense Plant Representative Office Emphasis

Several months after the early surveys had been completed, the question of how work was prioritized, and how NAVAIR measured NAVPRO contract administration effectiveness was discussed with a group of six ACOs and their Branch Head at DPRO McDonnell-Douglas. According to these personnel, prior to consolidation, the NAVPRO Commander made an annual presentation to NAVAIR on the overall status of the PRO. In presenting Contracts Division accomplishments:

> ...Definitizations of Undefinitized Contractual Actions and Close-outs, both in terms of dollars were the two key measurements. It would depend, of course on the time of the year, too. We also had as a secondary sequencing measurement, the age of the open item. (Ref. 33) (underline emphasis added)

As for prioritization of definitizations:

> The big dollar ones were really the driver. So you could have a big unpriced order for $60 Million, and that could have been issued 90 days ago, and you could have another unpriced order for $5,000 that may be sitting out there undefinitized for 24 months. But, the key thing was to get the big definitizations done in order that we could show overall that we were decreasing the total unpriced orders here, what we called "The Swamp". With DLA, you have just

> the opposite. Their only focus is the age of the order, regardless of the dollar amount.(Ref. 33) (underline emphasis added)

A DPRO manager explained further:

> ...I think in fiscal year '84 the average days to definitize the UCAs was something like 480. And that emphasis, even though it was on dollars, drove that down to somewhere around 200 in 1989. So, that was successful in driving down the average time to definitize a UCA.(Ref. 33)

This manager reported that, since becoming a DPRO, they were sequencing definitizations totally based on the age of the UCAs. As far as emphasis on dollar values, he said:

> We keep track of it a little bit, but there's no real measurement of that. DLA doesn't even ask for a report on dollars, strictly number of orders.(Ref. 33)

According to NAVAIR management, the primary reason for Navy emphasis on UCA dollar volume was due to the fact that Congress was exerting pressure on the Navy regarding what they saw as excess money sitting around under UCAs which could potentially be used elsewhere.(Ref. 45) In view of this emphasis and the cost-risk problem of UCAs, total dollars undefinitized seems to be a much more valid yardstick than simply the number of overaged UCAs. For example, a PRO having one UCA for $50 million would have more of a problem in this context than a PRO with 20 UCAs totalling $2 million.

As mentioned above, contract close-outs were also an interest item with NAVAIR. An ACO responsible for Contract Close-outs indicated that the Navy and DCMC reflect similar emphases toward close-outs as they do toward UCAs.

> In the Close-out world, its the exact same situation. Under Navy, the big emphasis was to close-out the older contracts with the bigger dollars. Under DLA, its just the opposite, its to close out those contracts that have not been closed-out within the FAR required time-frame.(Ref. 33)

The NAVPRO concern with close-outs appears to have been primarily on an exception basis, emphasizing the large dollar, overaged contracts. This approach probably left many smaller contracts open long after physical completion. With MOCAS, DCMC will likely systematically close-out many more overage contracts.

As pointed out by a DPRO manager, the key difference between DCMC and Navy approaches appears to be in what is emphasized. According to this manager:

> ...some of the things are more a matter of **emphasis**, rather than methods. In other words some of the contracts that under a NAVPRO would not have a high visibility, under DCMC have a much higher visibility...I think the DCMC system was oriented toward small contractors. I don't think that their system really has reconciled itself to a McDonnell-Douglas. Of course, we're at the opposite end of the continuum if you have the small contractor to the large contractor. So some of the things that work for the majority of the DCASPROs and the Area Offices don't apply so neatly to the large McDonnell-Douglas operation...It's just that there are a different set of problems associated with each. (Ref. 33)

This matter of emphasis may explain the way DCMC approaches UCA and Contract Close-out bogies. The DCMC emphasis on quantities of UCAs and Close-outs, rather than on the dollar amounts which the Navy monitored may have some basis in the types of contracts DCAS was previously responsible for. Under DCAS, there was much more homogeneity in the dollar value of contracts. They had some large contracts in the DCASPROs, but

nothing on the scale of McDonnell-Douglas. Perhaps a strict emphasis on quantities was the best approach to minimizing the overall dollar amount of UCAs and maximizing the value of Close-outs. This approach may not prove viable, however with a McDonnell-Douglas or Grumman. A more rational approach in these operations, where there is a great deal of heterogeneity of contract sizes, is to attack the very large ones first. That is apparently where the Navy emphasis on dollars versus quantity originated.

3. Analysis of Significant Impacts on Navy Customers

In the latest surveys, the largest group of ACO respondents listed the DPRO practice of processing contractual actions on a first-in, first-out basis as a key difference between Navy and DCMC organizational priorities. Many ACOs ascribed negative impacts, such as conflicts with Navy priorities, to this practice. As one ACO described the situation:

> Under DPRO it is first-in, first-out. Quantity rather than dollar amount. Two small jobs done is now better than one large job completed. Navy priorities revolve around program needs and often conflict with the first-in, first-out or quantity vs dollar thinking. They like the big jobs done first.(Ref. 41)

There were several related comments which indicated that DCMC is more concerned with maintaining its statistical measures of success than solving problems for customers. As one ACO stated:

> As a NAVPRO we were solutions/results oriented, i.e. do it right. As a DPRO we are "stat" oriented - get it off the "run" before it is delinquent/overage. We are slaves to

a rigid mechanized system. DLA is geared to commodities. (underline emphasis added) (Ref. 41)

Interestingly, in the latest surveys, PCOs did not specifically list the DPRO system of workload prioritization as a significant problem, although many discussed general organizational priorities. Some PCOs noted that Navy needs were no longer the primary priorities of the PROs. One PCO stated:

> ...DPRO priorities are far more likely to cause them to decide in favor of solutions which make fewer waves in DCMC management VS one which will best serve the Navy's need...(Ref. 48)

Other PCOs stated:

> NAVPROs - Buying activities set the priorities. Framework was dynamic.
> DPRO - DCMC establishes framework and buying activities set priorities within this framework.

> Organizational priorities remain set by the PCO; when problems have arisen, the PCO's voice was heard; we are seen as the person in charge.(Ref. 48)

Surprisingly, the largest group of PCO respondents indicated they had observed little impact from changing organizational priorities, although some indicated somewhat negative impacts on Navy customers, such as less DPRO responsiveness and cooperation.

Interestingly, some PMs raised the issue of prioritization. PMs were asked to rate their agreement with the statement:

> The DPRO is at least as efficient as the NAVPRO was in getting funds obligated.

Half of the responding PMs disagreed with this statement.

This supports ACO statements that work is no longer prioritized on the basis of dollar value. One PM expressed concern over the issue of priorities, saying:

> Not as much leverage as before, when NAVAIR set NAVPRO priorities.(Ref. 43)

PMs were also asked to rate their agreement with the statement:

> My ability to set priorities for the ACO has been degraded by the transition from NAVPRO to DPRO.

Most PMs agreed with this statement, indicating their ability to set ACO priorities had been degraded. One PM responded:

> For the most part, the reaction to requests for priority actions is "If I can fit it in".(Ref. 43)

The lack of PCO comments regarding impacts from the DPRO work prioritization approach may indicate that it is not as much of a problem to PCOs as they originally thought. This may also indicate that, despite DCMC's standard prioritization methods, NAVPRO ACOs are showing some flexibility and sequencing definitizations in accordance with PCO desires.

However, PMs seem much more dissatisfied with the prioritization situation. This may mean that most PMs take urgent prioritization issues directly to the ACO, rather than trying to work them through the PCO. This would explain why many of the PCOs saw the changes in organizational priorities as having little impact on themselves as customers. It is the PMs who are feeling the impacts.

It may be only a matter of time before a DPRO for a large contractor such as McDonnell-Douglas will again have a

high dollar backlog of undefinitized orders under the DPRO prioritization system. However, if a backlog of UCAs does occur, it is no longer the Navy customer's responsibility. The impact on the Navy, however, would be the fact that a large amount of funding which might have been utilized, may expire prior to definitization of the UCAs.

DCMC does have a vehicle for providing other than first-in, first out service. The guidance in the DCMC Contracts Management Manual recommends that DPROs for major weapons systems "examine and prioritize the prime and support contracts that are important to the program manager." (Ref. 29, p. 90.13-46) Using this type of early cooperation between the Navy and DCMC may help avoid some future crises.

4. Impacts on Industry

Industry survey responses made it clear that many industry personnel were aware of DCMC's prioritization methods, and the fact that DCMC was placing more emphasis on meeting the 180 day goal for definitizations. As one industry respondent stated:

> It is our understanding that with DPRO, the emphasis is on numbers of contracts negotiated rather than dollar value negotiated.(Ref. 44)

Some industry personnel were concerned about whether the DPRO would have different priorities than the NAVPRO had. Although industry personnel did not speculate on any negative impacts resulting from DCMC's prioritization methods, some ACOs did. In addition to listing conflicts with Navy

priorities as an impact of the first-in, first-out work processing, some ACOs also felt there could be adverse impacts on the contractor's cash flow from this policy, since the largest value obligating actions (such as issuance of orders) won't necessarily be accomplished first under the DCMC prioritization method. Industry may also be negatively impacted if funds are allowed to expire on large UCAs, since those funds may have been reprogrammed for additional contracts if they had not expired.

D. SUMMARY

This chapter has presented an organizational comparison and analysis of the former NAVPROs versus the present DPRO organizations. A description of both the NAVPRO and DPRO organizations was provided as background to the changes which have occurred through the consolidation of Contract Administration. The key differences in the Contract Administration methods used by the former NAVPROs and the new DPROs were analyzed. The impacts of the changes in Contract Administration methods on Navy and industry customers were also analyzed. These include differences in organizational structure and roles, operating guidance, management information system, and reporting requirements. The final section of this chapter presented analysis of the key differences between Navy and DCMC organizational priorities as they relate to Contract Administration. That section also presented analysis of the impacts which changes in organizational priorities have had on Navy and industry customers.

Chapter V will review the primary and subsidiary research questions, providing conclusions, recommendations and recommended areas for further research.

V. CONCLUSIONS, RECOMMENDATIONS, AND AREAS FOR ADDITIONAL RESEARCH

A. GENERAL

Chapter II provided a background on the evolution of Defense Contract Administration. The factors leading to the birth of DCMC were discussed. Chapter III summarized the results of ACO, PCO, PM and industry surveys regarding the success of the new NAVAIR/DPRO/industry relationship. Chapter IV compared the previous NAVPRO organization with the DPRO organization. Differences between NAVPRO and DPRO methods and organizational priorities were analyzed. This chapter returns to the primary and subsidiary research questions, providing conclusions and recommendations.

The relationship between NAVAIR procurement functions and DPRO administrative functions has been steadily changing since the transition of NAVAIR NAVPROs into DCMC as DPROs. The transition has not only impacted ACOs, PCOs and PMs, but industry, as well. During early research, the relationship between NAVAIR PCO functions and DPRO ACO functions appeared to be in a state of flux. Unresolved issues existed between the Navy customer and the DPROs. These issues may be classified within two broad areas, namely, the new methods being used for DPRO Contract Administration, and differences in organizational priorities. Within the area of methods, the changes which had occurred in the roles of personnel were the primary causes of concern within NAVAIR.

Additionally, PCOs and ACOs cited changes in organizational priorities, indicating dramatic differences in the way the DPRO prioritized its contractual workload. This change was driven by a heavy emphasis on the achievement of UCA definitizations and contract close-outs within prescribed time-frames.

Since the beginning of this research, some of the major issues surrounding the roles of personnel have been resolved. Overall, however, other changes in Contract Administration methods continue to limit the ability of the DPROs to support NAVAIR customers. This is primarily due to the fact that other new ACO responsibilities have consumed much of the time which ACOs had previously had available to devote to customers. Customer concerns also continue to exist with respect to DPRO organizational priorities.

B. CONCLUSIONS

The primary research question posed by this study was:

> How well is the Navy/DCMC organizational relationship supporting the needs of Navy and industrial customers?

The primary conclusion is:

1. **The new DPROs are supporting the basic needs of Navy and industrial customers, but not as well as the previous NAVPROs had.**

There are significant indications of dissatisfaction with DPRO service, as compared to that provided previously through the NAVPROs. Several PMs and PCOs indicated that they felt service would deteriorate as former NAVPRO personnel were

gradually replaced. Significantly, PMs seem more dissatisfied than PCOs. No PMs felt that program support had improved since the transition of NAVPROs to DPROs. A significant factor appears to be a decline in the amount and quality of communications and teamwork between the PROs and their Navy customers. This problem does not seem to be attributable to DPRO methods, but rather to the fact that the DCMC agenda is not identical to the Navy's agenda. Most PMs felt that ACOs have been less flexible since the transition into DCMC. If the new relationship prevents PMs and the DPRO from presenting a cohesive "face to industry", it may result in confusion on the part of contractors. Rather than receiving unified direction from the Government, the contractor may receive the "mixed signals" one industry respondent was concerned about. The long-term impacts would include increased program costs and schedule delays which would ultimately affect the end user in the Fleet.

The first subsidiary research question was:

> What are the key differences between DCMC Contract Administration methods and those formerly used by the NAVPROs?

Based on the analysis presented in Chapter IV, the second conclusion of this study is:

2. The key differences in Contract Administration methods are:

a. DCMC's more established, structured approach, versus the Ad-Hoc approach employed by former NAVPROs

b. DPROs have separated the Negotiator functions and Price/Cost Analysis functions, which NAVPROs had combined

c. DPROs have combined the functions of Negotiator and Contract Administrator, which NAVPROs had kept separate

d. There are many more Contracting Officer warrants issued to personnel within the DPROs than had been in the NAVPROs

e. The implementation of the MOCAS system for Management Reporting and Contractor Payment

f. Contractor Purchasing System Reviews (CPSRs) are performed every three years, versus every year under NAVPRO

The key differences in Contract Administration methods were much more apparent to ACOs than PCOs. The PCOs who did notice changes in methods referenced DCMC's more structured approach to Contract Administration, as opposed to a more "ad-hoc" approach by the NAVPRO.

The second subsidiary research question was:

What impacts are DCMC's methods of Contract Administration having on their Navy customers and industry?

Based on the analysis presented in Chapter IV, the third conclusion of this study is:

3. DCMC Contract Administration methods are having the following impacts on Navy customers:

a. Due to DCMC's increased administrative coverage, there will be better contractor adherence to contract terms in the long-run

b. Less ACO time available to support Navy customers due to increased reporting requirements, MOCAS maintenance duties and difficulties in processing payments through MOCAS

c. Increased costs due to less efficient contractor purchasing systems, resulting from less frequent CPSRs.

The researcher predicts that there will be a fourth impact on Navy customers. Although there is no hard evidence as yet, the researcher theorizes that the following impact will occur:

d. An increase in contract costs to the Government due to less quality in negotiations. This is due to the fact that Negotiators no longer do price analysis, making them less familiar with the proposals, and therefore, less proficient negotiators. Their proficiency will also be reduced due to the fact that much of their time is now spent fulfilling reporting requirements and making inputs to the MOCAS system

The fourth conclusion of this study is:

4. DCMC Contract Administration methods are having the following impacts on industry:

a. Currently more timely completion of negotiations due to increased numbers of ACOs with signature authority. Possible future delays due to decreased review board thresholds and less ACO latitude

b. Currently benefiting from uniform operating procedures

c. Experiencing delays in payment through MOCAS system

d. Frustration in trying to conduct business with Government negotiators who are also busy with reporting requirements

The third subsidiary research question of this study was:

What are the key differences between DCMC and Navy organizational priorities and perceived roles concerning Contract Administration?

Based on the analysis presented in Chapter IV, the fifth conclusion of this study is:

5. The key differences in perceived roles and organizational priorities are as follows:

a. Perceived Roles:

NAVPROs: The perceived role of NAVPROs was to react flexibly, as an arm of NAVAIR, to provide whatever type of support PMs or PCOs required for interaction with the particular major systems contractor concerned. NAVAIR invested in frequent systems reviews as a means of indirectly reducing contract costs.

DPROs: The perceived role of DPROs places administrative duties such as contract close-outs on the same level as providing program support. DCMC will provide the Navy with program support and additional Contract Administration Services up to a certain level. This is done within a rigid structure designed to achieve economies of scale and uniformity in contractor relations, with the least direct cost. All contractors are viewed as homogeneous entities, each manageable under established, uniform policies.

b. Organizational Priorities:

NAVPROs: Keeping overall Undefinitized Contractual Actions (UCAs) below a certain dollar level was a top priority. Another top priority was acting on whatever urgent contractual actions were required by NAVAIR. Other than for urgent actions, definitizations were sequenced on the basis of largest dollar value. Contract close-outs were a priority, however not to the extent that they are in DCMC. Sequencing of close-outs was also primarily based on largest dollar value, with the age of the items as a secondary consideration.

DPROs: A top priority is to minimize the number of UCAs more than 180 days old. This results in the performance of definitizations primarily on a first-in, first-out basis, regardless of dollar value.

The other top priority is to minimize the number of contracts which have passed the FAR prescribed time frame for close-outs.

C. RECOMMENDATIONS

The fourth subsidiary research question was:

What can be done to bring DCMC and Navy Contract Administration organizational priorities into accord?

Regarding this question, the following actions are recommended:

1. The former NAVPROs should be allowed to return to the practice of prioritizing actions, including contract close-outs on the basis of dollar value and urgency to customers. After one year, the overall dollar levels of UCAs and open close-out actions at the former NAVPROs would be compared with those of other comparably sized former Service PROs. If results are favorable, this system should be implemented within all comparably sized former Service PROs.

This action would be a particularly easy to accomplish at this time, since the personnel within the former NAVPROs are still familiar with using this type of system. Feedback from former NAVPROs indicates that this method of prioritization was dramatically successful in reducing the average UCA definitization time. The newly acquired Service PROs are much different in size and scope than most of the activities previously administered by DCAS. To be efficient, they must be managed differently.

2. DCMC should inform all Major Systems PMs of the DLAM 8105.1 procedures which allow DPROs to "examine and prioritize the prime and support contracts that are important to the program manager." (Ref. 29, p. 90.13-46)

PMs may not be aware of the fact that DPROs are allowed to give certain programs priority status. The DCMC Contract Administration Manual suggests adjusting the ACO workloads so that one ACO may be primarily responsible for the Major

Program, while lesser contracts are distributed to other ACOs. Additionally, the manual suggests that the "Major Program" ACO work out a prioritization of contracts workload in accordance with the PM's needs.

Using this type of early cooperation between the Navy and DCMC may help avoid some future crises.

3. DCMC should form a joint Process Action Team, including ACOs, NAVAIR PCOs and industry customers to develop an improved alternative to MOCAS for use in the former NAVPROs.

A new, streamlined system could be developed which provides the customer and DCMC with only essential information. The Process Action Team would review each aspect of the current system, weighing the effort against the value added. Low value added efforts would be discontinued. The clerical demands of MOCAS demand disproportionate amounts of time from ACOs, which could be spent more productively elsewhere (negotiating, for instance). One ACO recommended use of an AIR Force system in lieu of MOCAS. In the spirit of TQM and "Best Practices" this alternate system should be examined. MOCAS appears to have been the system of choice for DCMC simply by virtue of its pre-existence in DCAS.

4. DCMC should allow for more frequent Contractor Purchasing System Reviews (CPSRs) (e.g., every 18 months) of certain contractors, if customers such as NAVAIR make such a request. A Memorandum of Agreement would be established, requiring the customer to provide reimbursable funding to DCMC each year to pay for the additional personnel necessary for more frequent reviews.

The fact that CPSRs will be conducted less frequently by DCMC may result in less efficient contractor purchasing systems. This may result in the Navy customer paying more than necessary for purchased parts. It may also require PCOs to spend more time preparing for negotiations, since the contractor purchasing systems may be suspect if they have not been inspected recently. If enough agencies sign up for more frequent reviews, their annual investment in personnel costs would likely be more than offset by the resulting cost avoidances.

5. DCMC should establish separate Branches within the Contract Operations Divisions for Negotiations and Contract Administration, respectively. The Contract Administration Branch would have complete responsibility for contract close-outs, MOCAS maintenance and other statistical reporting. All other contractual actions would be performed by the Negotiations Branch.

By separating these duties, personnel could become more specialized and proficient in their respective areas. Negotiator ACOs would not be caught between supporting customers and performing administrative functions such as contract close-outs and MOCAS maintenance. Accountability and responsibility would be clear.

6. DCMC should establish the price and cost analysis functions as ACO/negotiator responsibilities, as they were previously in the NAVPROs. This will require disestablishing the Financial Services Branches.

By taking control of the price analysis functions, ACOs/negotiators will be able to provide much more responsive service to customer priorities.

They will also be much better prepared to negotiate, having performed the proposal price analysis themselves.

7. DCMC should ensure that the former NAVPROs remain under the command of a Naval Officer.

The importance of keeping a Naval officer in command of the former NAVPROs was emphasized by PMs and industry personnel. To ensure that DPRO resources are equitably applied to Navy priorities, it is essential that DPRO Commanders are familiar with the technical and operational nuances of the programs they administer.

8. As a modification to the Navy/DLA Master Memorandum of Agreement (MMOA), establish a joint NAVAIR/DPRO Process Action Team to pursue the objectives of DCMC's Best Practices Program.

The Best Practices Program, while showing great potential as a concept, has apparently received little input from the working level. To be a truly effective improvement program, process owners should be involved. This includes making PCO and PM customers participants in the program. The Process Action Team should consist of PCOs, NAVAIR program office personnel, and an ACO from each of the former NAVPROs.

The fifth subsidiary research question posed by this study was:

> What can be done to improve the relationship between the Navy and DCMC Contract Administration organizations?

This, and the previous question are very closely related. Both questions sought to determine the actions necessary to provide optimum customer support within the practical constraints of DCMC resources.

The following recommendations are made with consideration that enhancing communications is the key to improving the Navy/DCMC relationship:

1. A joint NAVAIR/DCMC Process Action Team should be chartered to establish procedures whereby PCOs would travel to the DPROs, and ACOs would travel to NAVAIR to explain and discuss their respective roles, needs and methods.

Many survey respondents indicated that there is a lack of understanding of mutual roles and needs among ACOs and PCOs. The transition of the NAVPROs to DCMC has increased this confusion. Possible solutions to this continuing problem may include implementation of mandatory ACO/PCO conferences on a regularly scheduled basis.

2. DCMC should send a team to each contractor location to hold a joint briefing with local industry management, outlining and discussing how the transition has affected in-plant oversight.

Industry personnel indicated that they were still confused as to how their relations with the PROs and their customers would be affected by the transition. A formal briefing from DCMC would be appropriate. Such briefings will allow for more rapid industry adaptation to the new structure, roles and procedures they will be dealing with.

3. Mandate, by amendment to the Navy/DLA Master Memorandum of Agreement (MMOA), that DPROs be given an opportunity to comment on drafts of major contracts prior to solicitation.

This would help prevent the need for rework of contracts by ensuring they are written in compliance with the unique requirements of the MOCAS system.

It would also help forestall other potential Contract Administration problems.

4. Mandate, by amendment to the Navy/DLA Master Memorandum of Agreement (MMOA), that PCOs travel to the DPRO to conduct Post-award Conferences with ACOs prior to delegation of administration of contracts above a certain dollar threshold.

This would help ACOs and PCOs clarify any administrative requirements unique to a particular contract. It would also allow for discussions of any limitations in DPRO support due to constrained resources.

D. AREAS FOR ADDITIONAL RESEARCH

1. Research the possibilities for a more useful, less labor intensive MIS system than the present Mechanization of Contract Administration Services (MOCAS) system.

2. Research the validity of emphasizing quantities of Undefinitized Contractual Actions (UCAs) and contract close-outs as measures of Contract Administration success.

3.Research the effects of less frequent Contractor Purchasing System Reviews (CPSRs) on overall contract costs.

4.Research the possibilities for creating a common computer network for military Systems Commands and DCMC, which allow for Electronic Data Interchange (EDI) and electronic mail between all parties to the acquisition process.

APPENDIX A

MASTER MEMORANDUM OF AGREEMENT BETWEEN
THE DEPARTMENT OF THE NAVY AND THE DEFENSE LOGISTICS AGENCY

This agreement is executed this 22nd day of June 1990, by and between the Department of the Navy and the Defense Logistics Agency.

Authority to execute this agreement on behalf of the Department of the Navy is vested in the Secretary of the Navy and on behalf of the Defense Logistics Agency is vested in the Director, Defense Logistics Agency.

I. REFERENCES:

A. Deputy Secretary of Defense Memorandum dated 6 Feb 90 Subject: Streamlining of Contract Management

B. Department of Defense Instruction 4105.59, DoD Plant Cognizance Program, dated October 24, 1983.

C. DoD 7110.IM, Part IV, Budget Administration, dated July 1988

D. Federal Personnel Manual, Supplement 296-33, Subchapter 21, Subject: Realignment and Mass Transfer

E. DoDD 1315.7, Military Personnel Assignments, Jan 87

F. FPM Supplement 351-1, Reduction in Force, 18 Sep 89

II. PURPOSE:

The purpose of this Master Memorandum of Agreement (MMOA) is to transfer responsibility for performance on Contract Administration Services (CAS) at the organization and activities listed in Enclosure 1 as authorized by reference IA. International organizations and contractor facilities (OCONUS) will be addressed in a separate Memorandum of Agreement. The plant cognizance transfer of CONUS activities from the Department of the Navy to the Defense Logistics Agency (DLA) is in accordance with the procedures outlined in reference IB, IC, ID, IE and IF. The effective date for the transfer is 24 June 1990, unless otherwise specified in the Annex. Specific information and actions concerning each organization and contractor facility being transferred are contained in separate annexes at Enclosures 2 through 15.

III. SCOPE:

This MMOA governs the transfer of resources required to perform CAS mission responsibilities specified in Federal Acquisition Regulation (FAR) 42.302 and DoD FAR Supplement (DFARS) 242.302 at contractor facilities listed in Enclosure 1.

IV. PROVISIONS:

A. Personnel/Authorizations:

(1) A total of 1,416 civilian manpower authorizations and 80 officer and enlisted authorizations were transferred from Department of the Navy to DLA for FY 91-FY 95 by Defense Management Review Decision (DMRD) 916.

(2) In addition, the Navy has identified 70 civilian authorizations for transfer to DLA. Authorizations will be transferred for FY 91 and beyond. Funding for salaries and attendant support costs, however, will be transferred for FY 92 and beyond during the FY 92 Office of the Secretary of Defense budget cycle. FY 91 will be funded by the Navy via a Military Interdepartmental Purchase Request (MIPR) which will be issued to DLA prior to 1 Oct 90. Amounts in all years are subject to budget reductions by the Office of the Secretary of Defense and the Congress. Further, funding provided for FY 91 will be forwarded in concert with the restrictions of Continuing Resolution Authority.

(3) It is agreed that approximately 1,456 civilian personnel, and approximately 67 officer and approximately 22 enlisted personnel will be transferred from the Navy to DLA, effective 24 Jun 90. (These numbers will be used for the purposes of determining funding transfer for the period 24 Jun 90 through 30 Sep 90.) These totals include any CAS authorizations which may transfer from the Navy to DLA prior to 24 Jun 90. Navy interns are not part of this transfer and will be absorbed by Navy activities by 24 Jun 90. The specific civilian personnel and military personnel transferring at each location are identified in the organizational annexes 2 through 15. These lists will be updated in accordance with subparagraph (5) below.

(4) Servicing Navy Civilian Personnel Offices (acting on behalf of DLA Offices of Civilian Personnel) will issue General Notices of continued employment with DLA to all assigned Navy field personnel designated for mass transfer to DLA. HQ DLA or Defense Contract Management Region (DCMR) Offices of Civilian Personnel, as appropriate, will issue Standard Form 50, Mass Transfer, to each continuing employee, with an effective date of transfer to DLA of 24 Jun 90.

(5) The Navy and HQ DLA will coordinate on actions required to transfer civilian personnel and pay records. DLA will be notified of any personnel changes taken after the transfer of records. Proposed promotions, reassignments, transfers or appointments into organizations moving to DLA will be coordinated with the servicing DLA/DCMR Office of Civilian Personnel from 1 May 90 to the effective date of the transfer. Effective 24 Jun 90 all civilian personnel actions involving transferring personnel will be the responsibility of DLA Offices of Civilian Personnel.

(6) Servicing Navy Civilian Personnel Offices will forward Official Personnel Folder (Standard Form 66) to the gaining DLA Office of Civilian Personnel within five days of receipt of the Standard Form 50 which reassigns the employee. Standard Form 1150, Record of Leave Data, will be forwarded from the Department of the Navy to the Office of the Comptroller at the gaining DLA activity (DCMR or HQ DLA) not later than 27 Jun 90. The Department of the Navy shall also be responsible for outprocessing individuals to be reassigned to DLA, including execution of security termination statements and collection of civilian identification cards, by 23 Jun 90.

(7) The Department of the Navy will ensure that all provisions of union agreements with Navy civilian employees, including any requirements for advance notification, are followed.

(8) The HQ DLA Office of Military Personnel (DLA-M) will initiate all actions required to transfer all assigned military field personnel from the Navy to either DCMRs or HQ DLA, as applicable. DLA will be notified of any change in military personnel from that provided in the data call. Any military personnel action proposed by the Navy shall be coordinated with DLA-M. Effective 24 Jun 90 all military personnel actions pertaining to affected personnel will be the responsibility of DLA-M. Reassignment of Navy personnel from or to the Defense Contract Management Command (DCMC) will be handled in accordance with reference IB.

(9) The Navy will provide by computer to computer transfer to DLA the certified payroll master employee records for all assigned civilian personnel who will transfer to DLA. Any civilian payroll actions (i.e. allotments, W-4s, bond authorizations) processed by the Navy after the transfer of records will be provided to the servicing DLA/DCMR payroll office.

B. Funds:

(1) The Department of the Navy will issue reimbursable orders/Military Interdepartmental Purchase Requests (MIPR) to DLA as soon as possible after the signing of this MMOA, but not later than 10 Jun 90, for a total of $15.686 million TOA ($14.746 million DBA and $940 thousand RBA) for pay and other operating costs for the period 24 Jun 90 to 30 Sep 90.

(2) All reimbursable workload through 23 Jun 90 pertaining to agreements between the Department of the Navy and contract administration services customers (NASA, Coast Guard, FMS, etc.) will be billed by the Department of the Navy. DLA shall be responsible to enter into agreements with the customers for workload to be performed after 23 Jun 90 and directly billed for contract administration services rendered. DLA will request additional unfunded reimbursable authority from OSD as necessary to meet these commitments.

(3) On 24 Jun 90 the Navy Plant Representative Offices will become part of DCMC, which is currently under a full hiring and promotion freeze. The freeze should enable DCMC to reduce , through attrition, the on-board civilian personnel in order to properly align dollars transferred with positions transferred. If attrition does not materialize by 1 Sep 90, the Navy agrees to fund the shortfall between 1,439 and actual on-board by 15 Sep 90.

C. Contract Administration:

(1) The Department of the Navy will officially notify affected acquisition activities and contractors of the cognizance transfer to DLA. Contract modifications will be issued, pursuant to FAR 42.206 (a) and (c), for reassignment of contract administration for all affected contracts from the Department of the Navy to DLA as modifications are made to the contracts in the normal course of business, unless there is a change in the payment office.

(2) The Department of the Navy will initiate action to cancel contracting officer and plant clearance officer warrants effective with the close of business on 23 Jun 90. DLA shall be responsible for issuing replacement warrants in accordance with its procedures, by 24 Jun 90. Quality Assurance Representatives will continue to use stamps issued to them by the Navy. Extra stamps will be destroyed by the Navy at the time of the transfer to DCMC. Records indicating stamp number, employee name and other applicable data will be provided to the cognizant DCMR at the time of the transition. The DCMR will then assume responsibility for the stamps.

(3) The DLA Executive Director of Contract Management (DLA-A) will incorporate the appropriate changes to the DOD Directory of CAS Components (DOD 4105.59-H).

(4) Responsibility for proposal analysis, negotiation, and definitization of ceiling priced and forward priced orders will reside with the Defense Plant Representative Office.

D. Contract Disbursements:

Contracts currently administered by the thirteen Navy Plant Representative Offices will be reassigned for payment and data base maintenance to the DLA Finance Center (DFC) or DCMR specified in each annex, in accordance with the following guidelines:

(1) All new contracts and ordering agreements issued after 23 June 1990, and contracts for which there have been no deliveries or payments as of 23 June 1990 will be assumed by DLA on that date.

(2) Contracts on which either deliveries or payments have been made will continue to be paid by the Department of the Navy and will be transferred to DLA as they are reconciled.

(3) Physically complete and unreconcilable contracts will be retained by the Navy.

(4) Basic Ordering Agreements (BOAs) need to be reconciled at the delivery order level before transfer to the DFC or the DCMR specified in each annex. Delivery orders that have delivery performance against them will be evaluated for transfer based on remaining delivery schedule and ease of reconciliation. Orders not conducive to transfer will be retained by the Navy. Otherwise, all BOA payment responsibilities should be transferred to the appropriate DLA activity as soon as practically possible.

(5) At the three CAOs (Burbank, Bethpage, and Stratford) where disbursement is performed by in-plant personnel, the in-plant personnel will transfer to DLA on 24 Jun 90. They will continue to perform the disbursement function for contracts included in categories (2), (3), and (4) above.

E. Government-owned Equipment and Supplies:

Government office equipment (including ADP/T), leased equipment, and leased vehicles at CAS activities as specified in the annexes to the MMOA will be transferred to the gaining DCMR. ADO equipment assigned specifically to the collocated

Navy Technical Representatives will be retained by the Navy for use by on-site personnel and will not be included in the transfer to DLA.

F. Facilities:

No real estate transfer will transfer from the Department of the Navy to DLA as a result of the consolidation of DoD CAS responsibility.

G. Support Agreements:

(1) Existing host-tenant support agreements between Navy CAS units and host Navy installations will terminate on 30 Sep 90, absent specific DLA requests to the contrary. DLA shall be responsible for initiating action with proposed host Navy installations to obtain continuing support on an "as required" basis.

(2) DCMC organizations will provide administrative support to on-site program/technical representative offices. Examples of such administrative support include, but are not limited to, mailroom functions, reproduction support, office supplies, and forms management, receipt and destruction of classified material, and services related to government identification badges and visitors passes. Operational relationships will be defined in separate memoranda of agreements between the DPRO and Program Management Organizations.

V. MISCELLANEOUS:

A. Program Management Offices (PMO)

The Strategic Systems Program (SSP) will continue its technical field organizations as necessary to meet program management requirements.

B. Technical Representative Detachments

The DPRO Commander will assume management oversight responsibility of the Technical Representative Detachment located at each of the NAVAIR and NAVSEA plant representative offices. The management oversight responsibility includes administrative support (office space, supplies, mail service, etc.), coordination and oversight of interfaces with the contractor and CAO, and inputs to buying activities on technical representative operations. Responsibility for work performed and staffing will reside with the buying activity to which the technical representatives are assigned. The technical representatives will be rated by the buying activity with inputs from the DPRO Commander.

15 Enclosures (not included)

1. List of Contractor Facilities
2. Annex - NAVPRO Lockheed Missiles & Space, Sunnyvale, CA
3. Annex - NAVPRO Lockheed California, Burbank, CA
4. Annex - NAVPRO General Dynamics, Pomona, CA
5. Annex - NAVPRO FMC, Minneapolis, MN
6. Annex - NAVPRO McDonnell Douglas, St. Louis, MO
7. Annex - NAVPRO Hercules, Magna, UT
8. Annex - NAVPRO United Technologies, Stratford, CT
9. Annex - NAVPRO General Electric, Lynn, MA
10. Annex - NAVPRO General Electric, Pittsfield, MA
11. Annex - NAVPRO Grumman Aerospace, Bethpage, LI, NY
12. Annex - NAVPRO UNISYS, Great Neck, LI, NY
13. Annex - NAVPRO VITRO, Laurel, MD
14. Annex - CLASSIFIED UNDER SEPARATE COVER
15. Annex - General Dynamics Corporate Administrative Contracting Officer

APPROVED:

For Department of the Navy:

(Signed by Lawrence Garrett)

For Defense Logistics Agency:
(Signed by Charles McCausland)

APPENDIX B

AMENDMENT ONE TO
MASTER MEMORANDUM OF AGREEMENT
BETWEEN THE DEPARTMENT OF THE NAVY AND
THE DEFENSE LOGISTICS AGENCY

This agreement is executed this 22nd day of November 1991 by and between the Department of the Navy and the Defense Logistics Agency.

Authority to execute this amendment on behalf of the Department of the Navy is vested in the Secretary of the Navy or his designee, and on behalf of the Defense Logistics Agency is vested in the Commander, Defense Contract Management Command.

I. REFERENCES:

All references and provisions contained in the Master Memorandum of Agreement (MMOA) dated 22 June 1990 are incorporated into this amendment.

II. PURPOSE:

The purpose of this amendment to the MMOA is to transfer responsibility for performance of technical functions and responsibilities as specified in Enclosure 3 at the organizations listed in Enclosure 1. The effective date for the transfer is 24 November 1991.

III. SCOPE:

This amendment governs the transfer of Naval Air Systems Command Technical Representatives at Contractors' facilities who perform technical functions and responsibilities to the Defense Logistics Agency (DLA).

IV. PROVISIONS:

A. Personnel/Authorizations:

(1) A total of 27 civilian manpower authorizations and no officer or enlisted authorizations are to be transferred from Department of the Navy to DLA for FY 92 and outyears. It is agreed that it is in the best interest of both DCMC and the Navy that the personnel transferred be retained in their current positions. Retention provides a continuity of service and support to the program management offices.

(2) Funding for salaries and attendant support costs will be transferred for FY 93 and beyond during the FY 92 Office of the Secretary of Defense budget cycle. FY 92 will be funded by the Navy via a Military Interdepartmental Purchase Request (MIPR) which will be issued to DLA prior to 24 November 1991. Amounts in all years are subject to budget reductions by the Office of the Secretary of Defense and the Congress.

(3) It is agreed that approximately 27 civilian personnel, and no military personnel will be transferred from the Navy to DLA, effective 24 November 1991. The specific civilian personnel transferring at each location are identified by location in Enclosure 1.

(4) Servicing Navy Civilian Personnel Offices (acting on behalf of DLA Offices of Civilian Personnel) will issue General Notices of continued employment with DLA to all assigned Navy field personnel designated for mass transfer to DLA. Defense Contract Management District (DCMD) Offices of Civilian Personnel will issue Standard Form 50, to each continuing employee, with an effective date of transfer to DLA of 24 November 1991.

(5) The Navy and HQ DLA will coordinate on actions required to transfer civilian personnel and pay records. Effective 24 November 1991 all civilian personnel actions involving transferring personnel will be the responsibility of DLA Offices of Civilian Personnel.

(6) Servicing Navy Civilian Personnel Offices will forward Official Personnel Folder (Standard Form 66) to the gaining DLA Office of Civilian Personnel within five days of receipt of the Standard Form 50 which reassigns the employee. Standard Form 1150, Record of Leave Data, will be forwarded from the Department of the Navy to the Office of the Comptroller at the gaining DCMD activity not later than 24 November 1991. The Department of the Navy shall also be responsible for outprocessing individuals to be reassigned to DLA, including execution of security termination statements and collection of civilian identification cards, by 23 November 1991.

(7) The Department of the Navy will ensure that all provisions of union agreements with Navy civilian employees, including any requirements for advance notification, are followed.

(8) The Navy will transfer to DLA the certified payroll master employee records for all assigned civilian personnel who will transfer to DLA. Any civilian payroll actions (i.e. allotments, W-4s, bond authorizations) processed

by the Navy after the transfer of records will be provided to; the servicing DLA/DCMC payroll office.

(9) No military personnel will transfer to DCMC as a result of the transfer of technical representative responsibilities. Military personnel currently assigned to the Naval Technical Representative Detachments at McDonnell-Douglas, St. Louis, MO; Lockheed Georgia, Marietta, GA; and GE Lynn, Lynn, MA, will, to the extent possible, not be replaced in the contractor's facilities upon rotation. In the interim period, the Navy will follow the DFARS procedures for establishing technical representatives for these positions remaining in plant.

B. Funds:

(1) The Department of the Navy will issue reimbursable orders/Military Interdepartmental Purchase Request (MIPR) to DLA as soon as possible after the signing of this amendment, but not later than 24 November 1991, for a total of $970,000 TOA for pay and other operating costs for the period 24 November 1991 to 30 September 1992.

C. Government-owned Equipment and Supplies:

Government office equipment (including ADO/T), leased equipment, and leased vehicles at NAVAIR Technical Representative activities as specified in Enclosure 2 will be transferred to the gaining DCMC. ADO equipment assigned specifically to the collocated Navy Technical Representatives will be retained by the Navy for use by on-site personnel and will not be included in the transfer to DLA.

D. Functions and Responsibilities:

The Federal Acquisition Regulation (FAR) 42.202 permits the Contracting Office to delegate to the CAO functions not listed in FAR 42.302. This agreement constitutes advance notification of the delegation of specific functions and responsibilities listed in Enclosure 3 to the DPROs/CAOs listed in Enclosure 1. This agreement applies to Naval Air Systems Command (NAVAIR) only and does not set a precedent for other Navy or DoD Components.

3 Enclosures

1. Personnel Transferred (Not included)
2. Inventory Listing (Not included)
3. Functions and Responsibilities Delegated (Included)

APPROVED:

For Department of the Navy:

(Signed)

H. LAWRENCE GARRETT, III
Secretary of the Navy
22 November 1991

For Defense Contract Management Command:

(Signed by Charles Henry)

FUNCTIONS AND RESPONSIBILITIES DELEGATED
(enclosure 3)

These delegations exceed the traditional contract administration services (CAS) defined by FAR Part 42. They are willingly accepted by the Defense Contract Management Command (DCMC) in the spirit of customer support without intending to establish precedent in a general expansion of CAS functions. The functions being accepted by DCMC as part of this transfer are the following:

I. Issuance of Ceiling Priced and Fully Priced Orders.
II. Validation of MILSTRIP Requisitions.
III. Waivers and Deviations for Minor Nonconforming Supplies or Services.
IV. Concurrences in Classification of Class II Engineering Change Proposals.
V. Monitoring and Oversight of Government Furnished Material.
VI. Witnessing the Contractor Validation of Technical Manuals.
VII. Logistics Support.

I. ORDER ISSUANCE

A. Ceiling Priced orders:

1. The Administrative Contracting Officer will be responsible for the issuance of all ceiling priced orders forwarded by the requiring activity (NAVAIR). Ceiling priced orders are issued for either Basic Ordering Agreements or provisioning items. Before the ceiling priced order can be placed the following documents must be received by the ACO.

a) an implementation letter from the requiring activity giving them authority to place the order.
b) a MIPR from the requiring activity funding the requirement.
c) a Certificate of Urgency (COU) stating the requirement.
d) a Justification and Approval (J&A) for other than full and open competition.
e) Pre-Award Synopsis

2. Upon receipt of the above documentation a letter is prepared to notify the contractor that an undefinitized bilateral priced order has been written and is being forwarded to them for their review and signature.

3. In addition, the ACO should assure that the following items are included prior to issuance of either the BOA or PIO order.

a) description of items ordered (complete statement of work)
b) ceiling price
c) proposal submittal information
d) billing price (if appropriate)
e) subcontracting plan clauses (contracts $500,000 or over)
f) appropriation data
g) delivery information
h) "ship to" information
i) method of acceptance
j) inspection
k) acceptance point]
l) authorization to accept partial shipments

B. FULLY PRICED ORDERS

1. The Administrative Contracting Officer (ACO) will be responsible for the issuance of all fully priced orders. Fully priced orders are those where firm price and other provisions have been established prior to the issuance of the order.

a. The Requiring Activity is responsible for:

1. Requesting proposal from the Contractor
2. Screening the proposal for compliance with requirement
3. Sending the requirement letter to the ACO including:

   a. Statement of Work: Direction to accept proposal and/or work requested changes/additions/deletions
   b. Justification and Approval or Determination and Finding
   c. Pre-Award Synopsis
   d. Funding MIPR

b. The ACO is responsible for:

1. Performing cost price analysis
2. Negotiating Firm Price and Terms and Conditions
3. Issuing priced orders

C. The ACO is responsible for the following actions on all types of orders:

1. post award synopsis is prepared for all orders over $25,000 in accordance with FAR 5.207(c).

2. Public Announcement of contract award is prepared for all orders over $5,000,000 and released when order is signed by contractor

3. A certificate of procurement integrity is required on orders or contract modifications in excess of $100,000

4. Copies of the order are distributed to the requiring activity, MOCAS input personnel and STARS input personnel (AIR 802)

II. VALIDATION OF MILSTRIP REQUISITIONS

A. DCMC will be responsible for the validating of contractor generated MILSTRIP Regulations or government generated requisitions where the material will be shipped to the contractor. The responsibilities of DCMC are as follows:

1. Ensure that contractor generated requisitions for material to be accessed from the Department of Defense (DoD) supply systems are reviewed to verify that they are within the contractually authorized levels of each contract. When requested by the Program Office and authorized by contract, the contractor may requisition material for the DoD supply system. Where the contract does not specify the type and quantity of material to be requisitioned, the DPRO will use other means (review material parts list, drawings, etc.) to validate the need for such material.

2. Pass or refer validated requisitions to the appropriate DoD supply source for action. Reject requisitions which fail validation.

3. Maintain a data base on requisitions forwarded to DoD supply system and those rejected.

4. Provide a quarterly status report to the buying command on all requisitions processed. The report shall include:

a. the requisition number
b. program/system
c. dollar amount
d. whether approved/rejected
e. if rejected, the reason for rejection

5. Respond to MILSTRIP source of supply validation inquiries.

III. WAIVERS AND DEVIATIONS FOR MINOR NONCONFORMING SUPPLIES OR SERVICES

A. Unless otherwise specified in the contract/letter of instruction, the Contracting Administration Office (CAO) will accept/reject nonconforming supplies or services in accordance with FAR 46.407. When delegated authority by contract or letter of instruction, the ACO will accept or reject minor deviations to contract requirements.

IV. CONCURRENCE IN CLASSIFICATION OF CLASS II ENGINEERING CHANGE PROPOSALS

A. Unless specifically withheld by the buying command, concurrence in the classification of Class II engineering changes shall be in accordance with MIL-STD-480B.

V. MONITORING AND OVERSIGHT OF GOVERNMENT FURNISHED MATERIAL

A. Complete monitoring and oversight of all Government Furnished Equipment (GFE) and Government Furnished Material (GFM) to be incorporated into end items in support of production, maintenance and repair contracts. Such monitoring and oversight to include:

1. tracking of all deliverable GFE and GFM
2. researching and assisting in the resolution of delinquent GFE
3. performing failure analysis on repetitive defective GFE and providing such data to the buying command
4. maintaining liaison with contractor production management personnel on GFE issues

B. When the contract requires that the contractor perform GFE/GFM failure analysis, DCMC will perform a review of this analysis and comment on the contractor letter/report when submitted through the Contract Administration Office.

VI. WITNESSING CONTRACTOR VALIDATION OF TECHNICAL MANUALS

A. DCMC will serve as the government representative when witnessing the contractor's validation of technical manuals.

VII. LOGISTICS SUPPORT

A. DCMC will provide support to the buying command's Assistant Program Manager for Logistics (APML). Act as the APML on-site representative in all matters relating to logistics support and maintenance engineering requirements. Support to the APML would include:

1. Provide on-site technical liaison and guidance to the contractor.
2. Serve as coordinator on the technical issues between the contractor and the government.
3. Perform continuous review and evaluation of logistics support and maintenance planning data.
4. Identify deficiencies and verify implementation of a corrective action plan.
5. Actively participate in the integrated logistics support management team (ILSMT) and coordinate with team members on their areas of responsibility.

LIST OF REFERENCES

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7. Deputy Secretary of Defense memorandum dated 6 February 1990, Subj: Streamlining of Contract Management

8. Gates, William R., Department of Defense Procurement Policy Reform: An Evolutionary Perspective, 1989

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13. Telephone conference with Ms. B. Arnold, DCMC Headquarters, dated 4 February 1992

14. DCASPRO IBM, Manassas Organization Manual, August 1985

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16. Under Secretary of Defense (Acquisition) memorandum dated 14 August 1989, Subj: JOINT OSD-DoD COMPONENT DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA) TASK FORCE CHARTER

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20. Defense Logistics Agency memorandum dated 15 February 1990, Subj: Concept of Operations

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22. Draft Defense Logistics Agency letter to USD(A), dated 22 June 1990, Subj: Streamlining and Contractor Disengagement Action Plan of the Defense Contract Management Command (DCMC)

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27. NAVAIRINST 5000.6B dated 18 April 1985, Subj: Management Manual for NAVPROs assigned to NAVAIR

28. NAVAIRINST 4330.16A CH-7, AIR 519, dated 6 March 1985, NAVAIR FIELD CONTRACT ADMINISTRATION MANUAL

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30. DLAM 5810.1, Organization of DLA Field Activities, January 1991

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32. DPRO Bethpage (Grumman), Code RGA1 survey response dated 15 May 1991

33. Telephone conference dated 29 October 1991 with DPRO McDonnell-Douglas Branch Head and ACOs

34. Telephone conference 19 April 1991 with NAVAIRSYSCOM (AIR-214A)

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36. NAVAIR PCO survey dated May 1991

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39. Telephone conference with Chief, Contract Management Division, DPRO McDonnell-Douglas, dated 10 February 1992

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